

**PUBLIC JOINT STOCK COMPANY
"BANK "CLEARING HOUSE"**

Annual Financial Statements
for the year ended 31 December 2020

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ANNUAL FINANCIAL STATEMENTS

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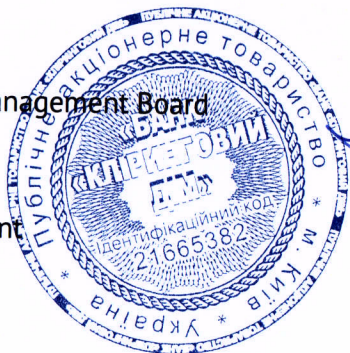


Statement of financial position (Balance Sheet)
as at December 31, 2020

| Item | Note | 31.12.2020 | UAH'000 31.12.2019 |
|--|------|------------------|-----------------------|
| ASSETS | | | |
| Cash and cash equivalents | 5 | 372 404 | 192 098 |
| Loans and due from banks | 6 | - | 12 387 |
| Loans and advances to customers | 7 | 1 303 163 | 701 310 |
| Investment securities | 8 | 624 284 | 696 537 |
| Investment property | 9 | 291 186 | 376 990 |
| Current income tax receivables | | 11 073 | 11 073 |
| Deferred tax assets | 23 | 40 063 | 53 271 |
| Fixed and intangible assets | 10 | 130 942 | 107 345 |
| Other assets | 11 | 117 345 | 30 960 |
| Total assets | | 2 890 460 | 2 181 971 |
| LIABILITIES | | | |
| Due to banks | 12 | 150 000 | - |
| Due to customers | 13 | 2 094 100 | 1 599 901 |
| Provisions for liabilities | 14 | 3 297 | 522 |
| Other liabilities | 15 | 22 815 | 20 417 |
| Total liabilities | | 2 270 212 | 1 620 840 |
| EQUITY | | | |
| Share capital | 16 | 510 393 | 510 393 |
| Financial assistance from shareholders | | 190 000 | 190 000 |
| Retained earnings/(accumulated loss) | | (163 248) | (203 427) |
| Revaluation reserves | 17 | 83 103 | 64 165 |
| Total equity | | 620 248 | 561 131 |
| Total liabilities and equity | | 2 890 460 | 2 181 971 |

Approved for issue and signed on 26.04.2021.

Chair of the Management Board



V. O. Andreevska

Chief Accountant

O. O. Markina



Statement of profit and loss and other comprehensive income
(statement of financial performance) for the year ended 31 December 2020

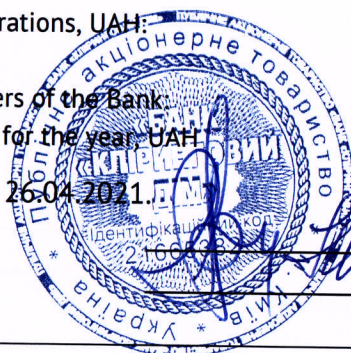
UAH'000

| Item | Note | 2020 | 2019 |
|---|------|----------------|----------------|
| Interest income | 19 | 206 486 | 204 662 |
| Interest expense | 19 | (71 074) | (86 488) |
| Net interest income | | 135 412 | 118 174 |
| Commission income | 20 | 77 872 | 65 955 |
| Commission expense | 20 | (12 970) | (10 666) |
| Net income (loss) from transactions with debt financial instruments measured at fair value through profit or loss | | 3 667 | (1 277) |
| Net income (loss) from transactions with debt financial instruments measured at fair value through other comprehensive income | | 2 644 | 768 |
| Gains less losses from foreign currency transactions | | 2 884 | 10 287 |
| Gains less losses (losses less gains) from foreign currency revaluation | | 9 271 | (1 396) |
| Net income (loss) from revaluation of investment property | | (6 039) | (3 277) |
| Net income (loss) from impairment of financial assets | | (16 064) | (54 665) |
| Net (increase)/decrease of provisions for liabilities | | (2 775) | (495) |
| Other operating income | 21 | 5 358 | 10 446 |
| Labour remuneration expenses | 22.1 | (89 246) | (72 941) |
| Depreciation and amortization | 22.2 | (8 970) | (7 545) |
| Administrative and other operating expenses | 22.3 | (51 815) | (49 831) |
| Profit before tax | | 49 229 | 3 537 |
| Income tax expenses | 23 | (9 050) | 31 204 |
| Profit/(loss) of continuing activities | | 40 179 | 34 741 |
| Profit for the year | | 40 179 | 34 741 |
| OTHER COMPREHENSIVE INCOME: | | | |
| OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS | | | |
| Revaluation of fixed and intangible assets | 17 | 23 712 | - |
| Income tax, related to other comprehensive income items, not to be reclassified to profit or loss | | (4 268) | - |
| Other comprehensive income not to be reclassified to profit or loss after taxes | | 19 444 | - |
| ITEMS TO BE RECLASSIFIED TO PROFIT OR LOSS | | | |
| Revaluation of debt financial instruments | | (616) | 945 |
| Net change of fair value | 17 | (616) | 945 |
| Income tax, related to other comprehensive income to be reclassified to profit or loss | 23 | 110 | (169) |
| Other comprehensive income to be reclassified into profit or loss after taxes of the year | 17 | (506) | 776 |
| Other comprehensive income after taxes | 17 | (506) | 776 |
| Total comprehensive income for the year | 17 | 59 117 | 35 517 |
| Income (loss), attributable to: | | | |
| Bank owners | | 40 179 | 34 741 |
| Total comprehensive income, attributable to: | | | |
| Bank owners | | 59 117 | 35 517 |
| Net earnings per share from continuing operations, UAH: | | | |
| Net earnings per share, UAH | 23 | 834,04 | 721,17 |
| Net earnings per share, attributable to owners of the Bank | | | |
| Net and diluted earnings per ordinary share for the year, UAH | 23 | 834,04 | 721,17 |

Approved for issue and signed on 26.04.2021.

Chair of the Management Board
Chief Accountant

V. O. Andreevska
O. O. Markina





Statement of changes in equity
(statement of equity) for the year ended 31 December 2020

UAH'000

| Line | Item | Note | Share capital | Financial assistance from shareholders | Revaluation reserves | Retained earnings / (accumulated loss) | Total equity | Line |
|------|---|------|---------------|--|----------------------|--|--------------|---------|
| 1 | Opening balance as at 01.01.2019 | 16 | 510 393 | 190 000 | - | 63 389 | (238 168) | 525 614 |
| 2 | Total comprehensive income | | | | | 776 | 34 741 | 35 517 |
| 3.1 | 2019 profit | | | | | | 34 741 | 34 741 |
| 3.2 | Other comprehensive income | 17 | | | | 776 | - | 776 |
| 4 | Closing balance as at the end of the day 31.12.2019 | 16 | 510 393 | 190 000 | - | 64 165 | (203 427) | 561 131 |
| 5 | Total comprehensive income | | | | | 18 938 | 40 179 | 59 117 |
| 5.1 | 2020 profit | | | | | | 40 179 | 40 179 |
| 5.2 | Other comprehensive income | 17 | | | | 18 938 | - | 18 938 |
| 6 | Closing balance as at the end of the day 31.12.2020 | 16 | 510 393 | 190 000 | - | 83 103 | (163 248) | 620 248 |

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Chair of the Management Board

V. O. Andreevska

Chief Accountant

O. O. Markina





**Statement of cash flows (indirect method)
for the year ended 31 December 2020**

| | | | UAH'000 | |
|------------------------------|--|------|---------------|-----------------|
| | Item | Note | 2020 | 2019 |
| OPERATING CASH FLOWS | | | | |
| | Income/(loss) before taxes | | 49 229 | 3 537 |
| | Adjustments | | | |
| | Depreciation and amortization | 22.2 | 8 970 | 7 545 |
| | Net increase/(decrease) of allowances for expected credit losses of financial assets | | 21 341 | 55 161 |
| | Amortization of discount / (premium) | | (189) | (14) |
| | Results of transactions with other financial instruments measured at fair value through other comprehensive income | | (2 644) | (768) |
| | Results of transactions with other financial instruments measured at fair value through profit or loss | | (3 667) | 1 277 |
| | Result of trading in foreign currencies | | (2 884) | (10 287) |
| | (Accrued income) | | (14 234) | (13 336) |
| | Accrued expenses | | (344) | (386) |
| | Net loss/(earnings) from investing activities | | (373) | (1 328) |
| | Other non-cash flows | | 4 971 | 37 577 |
| | Net cash income/(loss) from operating activities before changes in operating assets and liabilities | | 60 176 | 78 978 |
| | Changes in operating assets and liabilities | | | |
| | Net (increase)/decrease of loans and due from other banks | | 21 286 | (30 211) |
| | Net (increase)/decrease of loans and advances to customers | | (618 964) | (133 901) |
| | Net (increase)/decrease of other financial assets | | (87 208) | 15 569 |
| | Net (increase)/decrease of other assets | | 2 908 | (680) |
| | Net increase/(decrease) of due to banks | | 150 000 | |
| | Net increase/(decrease) of amounts due to customers | | 493 790 | 35 316 |
| | Net increase/(decrease) of debt securities in issue | | | |
| | Net increase/(decrease) of provisions for liabilities | | (56) | (21) |
| | Net increase/(decrease) of other financial liabilities | | 3 916 | 345 |
| | Net increase/(decrease) of other liabilities | | 3 979 | 1 486 |
| | Net cash received from/(used in) operating activities before income tax expense | | 29 827 | (33 119) |
| | Income tax paid | | - | - |
| | Net cash received from/(used in) operating activities | | 29 827 | (33 119) |
| INVESTMENT CASH FLOWS | | | | |
| | Purchase of securities | | (934 999) | (704 294) |
| | Proceeds from sales of investment securities | | 909 053 | 725 414 |
| | Proceeds from sale of investment property | | 79 866 | 53 000 |
| | Acquisition of fixed assets | 10 | (6 863) | (8 582) |
| | Proceeds from sale of fixed assets | | 272 | 876 |
| | Purchase of intangible assets | 10 | (6 260) | (2 398) |
| | Net cash received from/(used in) investing activities | | 41 069 | 64 016 |



| Item | Note | 2020 | 2019 |
|--|------|----------------|----------------|
| FINANCING CASH FLOWS | | | |
| Liabilities under lease contracts | | (1 661) | (1 741) |
| Net cash received from/ (used in) financing activities | | (1 661) | (1 741) |
| Effect of official exchange rate fluctuations on cash and equivalent | | 14 049 | (13 070) |
| Net increase/(decrease) in cash and cash equivalents | | 83 284 | 16 086 |
| Cash and cash equivalents – opening balance | 5 | 760 343 | 744 258 |
| Cash and cash equivalents – closing balance | 5 | 843 627 | 760 344 |

Approved for issue and signed on 26.04.2021

Chair of the Management Board

V. O. Andreevska

Chief Accountant

O. O. Markina



Note 1. Background information

These financial statements of Public Joint-Stock company "Bank CLEARING HOUSE" (hereinafter – the Bank) were prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2019.

The financial statements were prepared in the Ukrainian currency, in thousands of Ukrainian hryvnias.

The full name of the Bank is Public Joint-Stock company "Bank CLEARING HOUSE", and the official abbreviated name is JSB "CLEARING HOUSE".

Registered address and the place of business of the Bank: Borysohlibska Street, building 5, letter A, Kyiv, 04070, Ukraine.

The Bank was incorporated and is domiciled in Ukraine.

The Bank is a public open joint stock company.

The Bank operates under the License to provide banking services No 171 of 13 October 2011 issued by the National Bank of Ukraine under para 3, Art. 47 of the Law of Ukraine On Banks and Banking Activities. The services representing foreign currency transactions are provided under the general Permit to exercise foreign currency transactions No 171 of 13 October 2011 issued by the National Bank of Ukraine.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional (depository) operations in the stock market:

- ✓ series AE No 263457 as of 01.10.2013 – depository activities of a depository institution;
- ✓ series AE No 263458 as of 01.10.2013 – activities of a custodian of mutual funds;
- ✓ series AE No 263459 as of 01.10.2013 – activities of a custodian of pension fund assets.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional activities in the stock market (trading securities):

- ✓ series AE No 185076 from 19.10.2012 – dealer activities;
- ✓ series AE No 185077 from 19.10.2012 – brokerage activities.

A strategic objective of the Bank is to be a versatile and dynamic bank, to strengthen its position, to join the leaders in the financial market of Ukraine, and to increase the market value of the Bank.

The Bank is a member of the Deposit Guarantee Fund (registration No 149 as of 8 November 2012) and operates under the Law of Ukraine On Individuals Deposits Guarantee Fund No 4452-VI as of 23.02.2012.

The ultimate owners of material interests in the Bank are:

Liovochkina Yuliia Volodymyrivna who owns in total 60,3453% of shares in the Bank in total, including direct ownership of 0% and indirect ownership of 60.3453%;

Resolution No 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

Fursin Ivan Hennadiiovych who owns in total 42.6042% of shares in the Bank, including direct ownership of 10.7654% and indirect ownership of 31.8388%.

Resolution No 153 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

The Bank is a member of the Independent Banks' Association of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of the Participants of Capital Market and Derivatives, and the Ukrainian Stock Traders (the self-regulatory organization of professional securities market participants).

The Bank effectively integrated into the international information and payment systems as a member of SWIFT international payment system and of REUTERS international dealing system, and an associate member of VISA international payment system.

Financial position of the Bank is confirmed by external auditor – PKF UKRAINE LLC.

As at 31 December 2020, the Bank has 5 branches.

Note 2. Operating environment of the Bank

The Bank operates in Ukraine, where economic environment is open and considered as market one with certain elements, characteristic for transitional economies. Ukrainian economy highly depends on world prices on raw materials and low liquidity on capital markets. In such situation, banking operations in Ukraine are characterized by increased risks, which are not typical for developed markets.

In case of Ukraine, its external position and fiscal stability significantly improved within the last few years; still, the risk are high, taking into account delay of external financing, in particular, by IMF, internal political cycle and high sensitivity to changes in external environment.

The economic situation started to stabilize as of second half of 2016 after crisis of 2014-2015.

In 2019, GDP grew by 3,3%, mostly due to absence of significant shocks, as Ukrainian economy continued to restore.

Great input into economic growth was increase of consumers' demand, caused by increase of salaries and pensions and improvement consuming appetites, as well as high investment growth rate. It caused growth of trade, transport and service sectors. Recurrent record-breaking grain and oil-seed harvest was an important driver of increase of GDP and export.

At the same time, introduction of quarantine in Ukraine and overall international limitations dropped Ukrainian GDP by UAH 93,2 billion in the 2nd quarter of 2020 compared to similar period of 2019, while in 1 – 3 quarters of 2020 went down by UAH 107 billion or 3,7%.

In 2019, UAH strengthened by 5,7% in relation to USD and 10,6% in relation to EUR compared with average figures of the previous year. Still, instability of economic environment in 2020 caused devaluation of UAH by 19,37 % in relation to USD compared to the beginning of the year.

Consistent monetary policies of National Bank of Ukraine, combined with reasonable fiscal policies of the government, created an environment with low and stable inflation. E.g., consumers' inflation in 2019 went down to 4.1% (2018 inflation was 9.8%). Inflation index for f12 months of 2020 was 5 %.

Due to rapid improvement of macroeconomic situation in the country, National Bank of Ukraine continued to relax its monetary policies, reducing reference rate down to annual 13.5% by the end of 2019. At the same time, in June 2020, the rate went down to 6%. Decrease of key rate and prospects of further decrease resulted in decrease of profitability of Internal State Loan Bonds and majority of UAH rates for banks' customers.

Banking sector continued to be profitable in 2020. Profit of Ukrainian commercial banks in 2020 was UAH 41,3 billion, or UAH 18,3 billion less than in 2019 (2019 net profit was UAH 59,6 billion). Operating income of banking sector in 2020 was UAH 74,5 billion or UAH 1,7 billion less than in 2019. Provisions under active transactions increased from UAH 11,9 billion in 2019 to UAH 29,7 billion in 2020.

Major drivers of profitability for the banking sector are retail credits and customer services.

Changes of economic environment in 2019 and 2020 resulted in changes of sovereign credit rating of Ukraine and increase of international reserves of Ukraine (USD 29.1 billion as at January 1, 2021).

In June 2020, Moody's Investors Service rating agency increased rating of long-term issuer and priority unsecured liabilities of Ukraine from Caa1 to B3 with 'stable' forecast.

In September 2020, Standard & Poor's international rating agency confirmed sovereign credit rating of Ukraine at 'B' level with forecast 'stable'.

At the same time, in September 2020, Fitch international rating agency ('B' rating) confirmed sovereign credit rating of Ukraine at 'B' level and decreased its forecast from 'positive' to 'stable'.

Level of microeconomic uncertainty in Ukraine in 2020 continues to be high due to high national debt payable in 2019 - 2020, requiring mobilization of significant internal and external financing in the situation, when developing countries face problems with sources of financing.

Further prospects for development depend on the efficiency of reforms, implemented in Ukraine, efficient cooperation with IMF economic policies of Ukrainian government and positive changes in legal, tax and political areas.

In early 2020, COVID-19 coronavirus started to spread through the world, causing pandemics. The countries had to introduce drastic measures to stop the spread, resulting in significant operating problems for many

businesses and materially affecting world financial markets. COVID-19 may materially affect many businesses in different industries. Moreover, the level of effect is undeterminable. Materiality of COVID-19 effect on operations of the Bank greatly depends on length and spread of effect of the virus on international and Ukrainian economies.

Key risks for macrofinancial stability is continuing coronavirus pandemics and subsequent toughening of quarantine measures, escalation of military conflict in Eastern Ukraine, forecasted decrease in grain and fruits and vegetables crops in Ukraine, caused by unfavorable weather conditions, increasing volatility of world foods prices, caused by global climatic changes, decrease of inflow of foreign capital. Realization of these risks may negatively affect exchange rate and inflation expectations, complication access to international capital markets when peak debt payments have to be made.

As a result of the presence of above factors, Ukrainian banks aim, first of all, to stabilize their capitalization and profitability, ensure liquidity and solvency, improve quality of assets in order to comply with the standards, set by NBU. Management monitors current developments with coronavirus and quarantine, taking necessary steps to minimize any negative effects as far, as possible.

Note 3. Basis of preparation of the financial statements and summary of accounting policies

The basic principles of accounting policies that were used in the preparation of these financial statements are presented below. These principles were applied consistently with regard to all periods presented in the financial statements, unless stated otherwise.

3.1. Consolidated financial statements

As the Bank is not a parent in any group of companies, the consolidated financial statements are not prepared.

3.2. Basis of preparation

For the purposes of accounting and preparation of the financial statements, the assets and the liabilities of the Bank are measured and carried at the cost of their acquisition or creation (at historical cost or at fair value).

When **the historical cost model** is used, assets are recognized in the amount of consideration paid. Liabilities are recorded in the amount of funds required to settle or transfer the liability.

When **the fair value model** is used, the assets are measured at the amount that would be paid to acquire the asset or settle the liability at the measurement date.

3.3. Initial recognition of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly arm-length transaction between market participants at the measurement date. Fair value is measured in accordance with the requirements of IFRS 13 *Fair Value Measurement*.

Historical cost – at the moment of initial recognition of a financial instrument, the Bank discloses income or loss equal to the difference between fair value of a financial asset or financial liability and contract price in correspondence with discount/premium accounts, if the interest rate for the instrument higher or lower than market one. Difference between fair value of a financial asset or financial liability and contract price for transactions with the shareholders of the Bank is posted in the equity at class 5 accounts *Bank Capital* of the Chart of Accounts and included by parts into retained earnings (accumulated loss) during the period, when it is held, or in full at the moment of its disposal.

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is the cost that would have been avoided if the transaction had not taken place. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and stock exchanges, taxes and dues, and other expenses. Transaction costs do not include debt premiums or discounts, or administrative costs.

Amortized cost of a financial asset or a financial liability is the amount at initial recognition net of cash received or paid [principal, interest gain (loss) or other payments related to initiation of a financial asset or financial liability] adjusted for an accrued amortization, calculated using the effective interest rate method, - the difference between the initially recognized amount and the instrument redemption amount, and, in the case of financial assets, adjusted for estimated credit loss allowances.

The effective interest rate method is a method of measuring the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and allocation of interest income or expenses over the relevant period.

The effective interest rate is the rate of discounting of future cash inflows and outflows over the expected life of a financial instrument to its net book value or amortized cost of a financial liability. The Bank calculates effective interest rate based on estimated future cash flows taking into account all terms of a contract for financial asset, net of estimated credit losses.

3.4. Impairment of financial assets

Impaired financial assets are the financial assets, having objective evidence of loss, or characterized by one or several events negatively affecting future cash flows, related to this asset. Impairment of a financial asset is confirmed by the following events:

- Significant financial difficulties of an issuer or borrower;
- Violation of the terms of the contract, e.g., default or late payment;
- Bank's concession to the borrower for economic or contractual terms, related to financial difficulties of the borrower, which were not considered earlier by the bank;
- High probability of a borrower's bankruptcy or financial reorganization;
- Absence of active market for financial asset resulting from financial difficulties;
- Acquisition or creation of a financial asset with significant discount, reflecting credit losses incurred.

The Bank takes into account total effect of several events, if it is not possible to identify a single event, causing impairment of a financial asset.

After initial recognition the Bank measures debt financial asset, based on the business model and characteristics of cash flows, provided for by the contract, at:

- 1) amortized cost;
- 2) fair value with disclosure of revaluation in other comprehensive income;
- 3) fair value with disclosure of revaluation through profit/loss.

The Bank selects business model at the level of groups of financial assets, managed together for achievement of certain business goal, rather than at the level of a separate asset.

3.5. Derecognition of financial instruments

The Bank derecognizes initial financial asset and recognizes a new financial asset, if reviewed or modified cash flows under the contract cause termination of recognition of initial financial asset. The Bank recognizes new financial asset as at the date of modification, taking into account transaction cost, related to creation of new financial asset (except for new asset, disclosed at fair value with recognition of revaluation through profit/loss) and assesses estimated credit loss during 12-month period.

The Bank recognizes cumulative changes in estimated credit loss (ECL) during the life on a financial instrument, if new financial asset, which is impaired at the initial recognition, is created as a result of modification.

As at each reporting date, the bank recognizes the results of changes in ECL during the life of a financial asset, which is impaired at the initial recognition (including positive changes), through profit/loss as costs/income for establishment/derecognition of estimated loss allowances. Income through derecognition of loss allowances is recognized even if it is higher than earlier loss allowances for the same financial asset.

As at the date of derecognition, the bank recognizes income or expenses from derecognition, equal to difference between carrying value of initial financial asset and fair value of the new financial asset.

As at the reporting date and as at the date of derecognition (repayment, cession of right of claim, sale, write-off at the expense of loss allowances), as well as at the date of changes of terms (modification) of financial instrument, the bank accrues interest income, amortization of premium/discount, fair value revaluation, and analyses changes in ECL for establishment/derecognition of estimated loss allowances.

3.6. Cash and equivalent

Cash and cash equivalents are assets that can be converted into cash at a short notice and which are subject to insignificant risk of changes of value. Cash and cash equivalents include cash in hand, cash balances with the NBU with unrestricted use, and cash balances with other banks. Cash and cash equivalents are carried at amortized cost.

Mandatory reserves with the National Bank of Ukraine are the amounts deposited to a separate account with the National Bank of Ukraine, that are not intended to be used by the Bank in its daily operations. Accordingly, they are not included in cash and cash equivalents for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Bank provides counterparty banks with cash to be repaid on a fixed date, and the Bank has no intention to trade in receivables incurred. These receivables are not related to derivative financial instruments and do not have quoted market prices.

Amounts due from other banks are carried at amortized cost.

For the purposes of the statement of cash flows, cash and cash equivalents also include deposit certificates.

3.7. Transactions with investments measured at fair value through profit or loss

Transactions with investments measured at fair value through profit or loss are recorded as at the settlement date.

The available-for-sale portfolio includes securities and other financial investments purchased for the purpose of resale in the near future to benefit from short-term fluctuations of prices or dealers' margins as well as financial investments classified at initial recognition into a portfolio of collectively managed financial instruments where there is evidence of short-term gain actually earned.

Securities are revalued when their fair value changes. Revaluation is recognized in the accounting records at the balance sheet date.

Discounts or premiums of debt securities in the portfolio of financial investments, valued at fair value through profit or loss, are not amortized.

At initial recognition, the Bank records financial investments at fair value through profit or loss net of transaction costs. The costs of purchase transactions in the case of these financial investments are expensed as incurred.

If the decision to reclassify financial investment, recorded at fair value through profit or loss, into financial investments, valued at fair value through other comprehensive income, is made, the bank continues to record the financial investment at its fair value. As at the date of reclassification, the bank sets the effective interest rate based on the fair value of the financial asset and recognizes estimated loss allowances for ECL (if reclassified financial asset is not impaired).

If the decision to reclassify financial investment, recorded at fair value through other comprehensive income, into financial investments, valued at fair value through profit or loss, is made, the bank continues to record the financial investment at its fair value. Accumulated profit or loss, recognized earlier through other comprehensive income, are reclassified from equity to profit or loss as adjustment reclassified.

Securities, recognized as financial investments at fair value through profit or loss, are recorded at their fair value through profit or loss and disclosed at balance sheet account groups 140, 300 and 301. Analytic accounting of securities at the balance sheet account groups 140, 300 and 301 is based on issuers and issues.

The results of revaluation are recorded at analytic accounts of class 6 as difference between their fair value and carrying value in correspondence to revaluation accounts as at the balance sheet date.

The Bank recognizes interest income on debt securities measured at fair value through profit or loss separately in accordance with the coupon rate set for these securities. The Bank earns dividend income on variable income securities.

The Bank accrues interest income of securities and financial investments at fair value through profit or loss in its available-for-sale portfolio at the revaluation date at least once a month.

If financial investments, recorded at fair value through profit/loss, are sold, profit or loss (difference between selling cost and carrying value) is disclosed at respective analytic class 6 account.

Securities in respect of which a sale agreement with a specified sale price exists are not revalued between the transaction date and the settlement date.

3.8. Loans and advances to customers

Financial instrument is an agreement, generating a financial asset for one business entity and financial liability or equity instrument for other business entity at the same time.

Accounting of transactions with financial instruments is based on the economic essence of the transactions, using balance sheet and off-balance sheet accounts of the Chart of accounts for Ukrainian banks (with changes and amendments), approved by Decree of the Board of NBU № 89 of September 11, 2017 (hereinafter – the Chart).

Postings of transactions with financial instruments use accounts, grouped in accordance with their purpose (in accordance with the Annex to the above NBU rules.

The bank discloses costs of transaction and other payments, directly related to recognition of financial instrument, at discount/premium accounts for this financial instrument (except for financial instruments measured at fair value through profit/loss).

In accordance with its internal rules, the bank discloses ECL at separate analytic discount/premium account, if they are not disclosed at the loss allowance account.

The bank classifies and measures financial assets, based on business model, used to manage the assets, and characteristics of cash flows to be generated under the agreement.

The bank recognizes interest income under debt financial instruments (accrued interest, amortization of discount/premium), using effective interest rate as at the date of purchase up to the date of derecognition (sale, cession of right of claim, repayment, write-off at the expense of loss allowance), reclassification.

The Bank recognizes interest income under financial assets, recorded at the amortized cost, using effective interest rate for gross carrying value except for:

1) purchased or impaired financial assets created. Effective interest rate, adjusted by credit risk, regarding depreciated cost of the financial instrument, is used for such financial assets as of the date of initial recognition;

2) financial instruments, which were not purchased or impaired financial assets created, turned into impaired financial assets. For such financial assets, the bank uses effective interest rate for amortized cost of financial assets in subsequent reporting periods.

The bank recognizes interest income at effective interest rate for gross carrying value of the financial assets, starting from the next date of interest accrual, if, as a result of some events, the impaired financial asset restores and is not impaired any more.

The bank derecognizes financial asset or group of financial assets (hereinafter – financial asset), if:

- 1) term of rights to cash flows, generated by the financial asset, as set by the agreement, terminates;
- 2) transfer of financial asset complies with criteria of derecognition in accordance with p. 15 of section I of the Rules;
- 3) the asset is written off at the expense of loss allowance.

The bank transfers financial asset, if one of the terms is met:

- 1) the bank transfers right to cash flows, generated by the asset, as set by the agreement;
- 2) the bank keeps the right to cash flows, generated by the asset, as set by the agreement on transfer, but undertakes to pay cash flows to one or several recipients under the agreement, complying with the following terms:

- the bank is not liable to pay to end buyers until the respective amounts are received from initial asset;

- terms of agreement do not allow the bank to sell or use the initial financial asset as collateral, except for transfer to end recipients as surety for payment of cash flows;

- the bank has an obligation to transfer any cash flows, received on the instruction of end recipients, without any significant delay. Besides, the bank does not have a right to reinvest these cash flows except for investments in cash or cash equivalents (as set by IAS 7 *Statement of Cash Flows*) within the short term of

repayment from the date of collection to the date of transfer to end recipients. Interest, generated by such investments, is transferred to end recipients.

The Bank assesses the range of all risks and benefits of ownership of an asset during transfer of financial asset, taking into account the following:

- 1) the bank derecognizes financial asset and recognizes rights and liabilities, created or preserved during the transfer, separately as asset or liability, if it transfers predominantly all risks and benefits of ownership of an asset;
- 2) the bank continues to recognize financial asset, if it keeps predominantly all risks and benefits of ownership of an asset;
- 3) the bank determines whether it keeps control over financial asset, if it does not transfer or keeps predominantly all risks and benefits of ownership of an asset.

The bank does not have control over transferred asset, if the party, to which the asset is transferred, has a real possibility to sell it to a third party, may sell unilaterally without a need to set additional limitations to the transfer.

The bank derecognizes the asset and recognizes rights and liabilities, generated by or kept during transition, as asset or liability, if it does not control the financial asset. The bank continues to recognize transferred financial assets within the limits of continuing participation in it, if it keeps the control over the financial asset.

The Bank recognizes difference between carrying amount of a financial asset, calculated as at the date of derecognition, and compensation received (including value of new asset received net of liability accepted), as profit or loss from derecognition.

The bank discloses change of terms of agreement or modification of the financial asset, resulting in revaluation of respective cash flows, as:

- 1) derecognition of initial financial asset and recognition of new financial asset at its fair value; or
- 2) continuation of recognition of initial financial asset with the new terms.

The bank recalculates gross carrying amount of financial asset and recognizes profit or loss from modification, if term of agreement is reviewed by the concord of the parties, or if there is any other modification, which does not result in derecognition of initial financial asset.

The bank recalculates new carrying amount as current value of reviewed or modified cash flows, set by the agreement, discounted at initial effective interest rate (or initial effective interest rate, adjusted by credit risk for purchased or impaired created financial assets). The bank includes cost of transaction into carrying amount of modified financial asset and amortizes it during the life of the asset.

The bank recognizes difference between gross carrying amount under initial or modified terms as profit or loss through modification.

3.9. Financial investments, measured at fair value through other comprehensive income

Financial investments, measured at fair value through other comprehensive income, include debt securities, shares and other financial instruments held for sale, and which are not classified as financial investments, measured at fair value through profit/loss, or financial investments, measured at amortized cost.

Financial investments, recognized at fair value through other comprehensive income, include:

- Debt securities, which bank does not intend to and/or is not able to keep until the date of their retirement;
- Debt securities, which the bank is ready to sell because of the change of market interest rates or risks, liquidity needs, existence and profitability of alternative investments, sources or terms of financing, or change of currency risks;
- Shares and other financial investments, which the bank is ready to sell because of change of risks, liquidity needs, existence and profitability of alternative investments.

Financial investments disclosed at fair value through other comprehensive income, must be revalued. All financial investments, disclosed at fair value through other comprehensive income, have to be tested for impairment as at the balance sheet date.

Cost of transactions, related to purchase of debt securities, measured at fair value through other comprehensive income, is posted at accounts for discount (premium) at the moment of initial recognition of these securities.

Financial investments, disclosed at fair value through other comprehensive income, are posted at the balance sheet accounts of groups 141, 143, 310 and 311 of the Chart. Analytic accounting of securities, posted at the balance sheet accounts of groups 141, 143, 310 and 311, is based on issuers and issues.

Financial investments, disclosed at fair value through other comprehensive income, are to be revalued. The result of revaluation is disclosed in equity (analytic account 5102) as at the balance sheet date as the difference between fair value of a security and carrying value as at the date of revaluation.

For debt securities, disclosed at fair value through other comprehensive income, the bank recognizes interest income, including interest income as amortization of discount (premium), using the effective interest rate. The Bank earns dividend income on variable income securities.

The bank uses effective interest rate method, taking into account the requirements set by rules and regulations of NBU for accounting of income and expenses.

The bank recognizes interest income under financial investments, disclosed at fair value through other comprehensive income, as at the date of revaluation and as at the balance sheet date, but not less than one per month.

If financial investments are impaired, interest income is recognized based on amortized interest rate, used to discount future cash flows during last measurement of losses through impairment.

If terms of issue of securities sets gradual or partial repayment of their nominal value, accrual of interest and calculation of effective interest rate for such securities is based on decrease of this nominal value.

3.10. Sale and repurchase agreements

A sale and repurchase agreement are a two-part securities transaction, in which one general agreement is entered into between market participants on the sale (purchase) of securities for a specified period with a commitment to resell (repurchase) at a specific time or at the request of one party at a predetermined price. A sale and repurchase agreement transaction is, by its economic substance, a credit transaction with securities used as collateral.

Securities issued (received) as collateral are accounted on off-balance sheet accounts 9510 *Underlying collateral* or off-balance sheet account group 950 *Pledge received*.

The difference between the sale (purchase) price and resale (sale) price is interest income (expense). Accrued income is recorded on accounts 6002, 6022, 6015. Accrued expense is recorded at accounts 7002, 7015, 7021.

The Bank reclassifies securities sold under repo transactions, whereby the buyer has the right to sell or pledge them, from the trade portfolio or available-for-sale portfolio to receivables under repo transactions carried at fair value through profit or loss.

Securities purchased under repo agreement with a resale option in the case of their sale to a third party are recorded by the purchaser at fair value as a liability to return the securities on accounts payable under repo transactions carried at fair value through profit or loss.

Revaluation to fair value of securities recorded as repo transactions receivables and payables and the result of the sale to a third party are recorded at account 6223.

3.11. Financial investments measured at amortized cost

This category includes fixed income or definable income debt securities with fixed term of repayment. Debt securities, measured at amortized cost are the financial investments, recognized at amortized cost, if the Bank intends and can hold them until maturity to generate interest income.

The Bank should not initially recognize securities as financial investments, measured at amortized cost, if:

- It intends to hold securities for indefinite period;
- It is ready to sell them in case of change of market interest rates, risks, need for liquidity;
- Terms of issue of sight debt securities provide for interest payments during indefinite period of time (i.e. there is no fixed term of repayment);

- Issuer has a right to pay off securities by the amount much less than their depreciated cost;
- There are no financial resources to finance securities until their pay off;
- There are legal or other limitations, which may prevent bank from its intentions to keep securities until pay off.

Securities, for which issuer provides for pre-term pay off, may be recognized as financial investments, disclosed at amortized cost, if the Bank intends and can hold them until pay off.

Purchased debt securities are disclosed based on the following components: nominal value, discount or premium, interest accumulated as at the date of purchase. Cost of transactions, entered into for purchase of debt securities, is included into cost of purchase and disclosed at the accounts of discount (premium).

After initial recognition, debt securities are disclosed at amortized cost as at the balance sheet date.

The bank recognizes income and amortizes discount (premium) under debt securities not less than once per month using effective interest rate method.

Debt securities in the bank portfolio are to be reviewed for impairment up to the payoff time.

Financial investments, disclosed at amortized cost, are recorded at balance sheet account groups 142, 144 and 321 of the Chart. Analytic accounting of securities of account groups 142, 144 and 321 is based on issuers and issues.

For financial investments, disclosed at amortized cost, the bank recognizes interest income, including depreciation of discount (premium), using accrual principle and effective interest rate method.

The Bank recognizes interest income for debt securities in an amount, equal to product of amortized cost and initial effective interest rate for respective security, including impaired securities.

As at the balance sheet date, debt securities, disclosed at amortized cost, are reviewed for possible impairment based on analysis of estimated cash flows.

Impairment of debt securities, recorded at amortized cost, is disclosed by charging of loss allowance amounting to excess of carrying value of securities over current value of estimated future cash flows, discounted using initial effective interest rate (i.e. effective interest rate, calculated at initial recognition).

Debt securities, not paid off by issuer at the term, set by issuer, are recorded at analytical balance sheet accounts for securities.

3.12. Investments into associated companies

There are no investments into associated companies.

3.13. Investment property

Investment property includes land, buildings or parts of buildings or land and buildings owned by the Bank or received by the Bank under financial lease to earn rentals or for capital appreciation or both rather than for the provision of services or for administrative purposes.

A property can be divided into parts, which are used for different purposes: one part is used to earn rentals or for capital appreciation, and the other part is intended for the use in the course of the Bank's operations or for administrative purposes. If these parts can be sold separately, the part which is used to earn rental or for capital appreciation will be carried as investment property of the Bank. Where these parts cannot be sold separately, a property is recognized as investment property if not more than 15% of the total area of the property are used by the Bank in the course of its operations or for administrative purposes.

As at the year end, the Bank discloses 10 objects as investment property that are leased out. These objects are carried at fair value. In 2019, the Bank disclosed changes in fair value of investment property, as its carrying value differs from fair value, established by independent experts as at the balance sheet date.

3.14. Goodwill

There is no goodwill.

3.15. Fixed assets

The cost of items classified as fixed assets should exceed UAH 6,000. The low-value noncurrent assets include tangible assets with useful life over one year and the cost equal to, or less, than UAH 6,000.

If the useful life of a tangible asset is less than one year, it is expensed in the current period regardless of its cost.

Fixed assets are depreciated on a straight-line basis over their useful lives set by the Bank at their initial recognition and stated in the statement of commissioning.

Useful lives of fixed assets are determined by a special commission created by an order of the Bank management and stated in the Statement of acceptance (in-house transfer) of property and equipment when an asset is commissioned.

Useful lives (in months) are as follows:

- buildings and facilities - 600;
- vehicles – 60-84;
- telephone equipment – 24-60;
- equipment (furniture) – 48-180;
- office equipment – 24-60;
- computer equipment – 24-60;
- domestic appliances – 36-120;
- other fixed assets – 24-144.

Useful lives of fixed assets were not reviewed in 2020.

Fixed assets purchased by the Bank are recognized and carried at cost, which includes all costs of acquisition, delivery, installation and commissioning.

3.16. Intangible assets

Acquired intangible assets are recognized if future economic benefits resulting from its use are expected to flow to the Bank and its value can be measured reliably.

Intangible assets are recognized and measured at cost, which includes all costs of acquisition, delivery and commissioning.

After the initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are carried on an item-by-item basis.

Amortization is charged using the straight-line method based on the initial cost and useful lives of intangible assets. Useful lives of intangible assets are established by the Bank management for each item.

Intangible assets are amortized on a monthly basis. Amortization begins on the first day of the month following the reporting period in which the asset was available for use, and ceases on the first day of the month following the month where intangible assets were derecognized.

Software amortization rates are 11.22-50%.

When estimating useful lives of the intangible assets the Bank takes into consideration technical specifications, current trends in technology, and programs of technical improvement and maintenance of assets.

The Bank did not revalue intangible assets in 2020.

The Bank did not revise amortization rates, useful lives, or historical cost of intangible assets in 2020.

3.17. Lease when the Bank is a Lessor and/or Lessee

3.17.1. Assets leased out under operating lease

Assets transferred by the Bank under operating lease remain on its balance sheet and are carried on a separate analytical account stating that the assets were leased. During the life of the lease, the Bank depreciates non-current assets leased and accrues lease payments.

3.17.2 Assets, received under operating lease

If a term of a lease agreement is less than one year (short-term agreement), or basis value of an asset transferred under the lease is less than USD 5000 equivalent as at the day of entering into agreement, the Bank does not recognize the right-of-use asset and lease liability. Lease payments are recognized as expenses on the straight-line basis during the lease term and posted at expense accounts.

In other cases, the Bank recognizes the right-of-use asset at initial cost and lease liabilities as of the day of lease commencement.

Initial cost of the asset includes:

- Initial cost of liabilities under lease agreement;
- Lease payments made at commencement or before commencement of the lease;
- Initial direct costs incurred;
- Estimated costs to be incurred at disposal of the asset.

Initial cost of liability is set as current value of lease payments, not made yet. Lease payments are discounted during the lease term using either interest rate, set by the agreement, or interest rate used to attract funds of individuals for longer than one-year period, used by the Bank as at the date of recognition of lease agreement.

Subsequent valuation of the right-of-use asset is based on the initial cost model; as a result, value of the asset is measured:

- Deducting accumulated depreciation and accumulated impairment losses;
- Taking into account adjusted revaluation of liability under lease agreement.

Depreciation is charged as of the date of commencement of lease agreement until earliest of date of termination of useful life of right-of-use asset or date of termination of lease agreement.

Subsequent measurement of liability under lease agreement includes:

- Increase of carrying amount to disclose interest under lease agreement;
- Decrease of carrying amount to disclose lease payments made;
- Revaluation of carrying amount to disclose revaluation, modification of lease or review of fixed lease payments.

The Bank must remeasure lease liabilities, discounting reviewed lease payments using reviewed discount rate, in any of the following cases:

- Change of lease term. The Bank must review lease payments based on reviewed lease term
- Change of terms of acquisition of underlying asset. The Bank must review lease payments to reflect changes in amounts payable under purchase option.

The Bank recognizes reviewed discount rate as allowable interest rate under lease for the remaining lease term, if this rate can be easily determined, or interest rate used to attract funds of individuals for longer than one-year period, used by the Bank as at the date of revaluation.

The Bank also remeasures lease liability in the following situations:

- Change of amounts expected to be paid under residual value guarantees;
- Change of future lease payments due to change of index or rate, used to determine these payments.

The Bank determines reviewed lease payments for the remaining lease term, using interest rate as at the date of commencement of lease.

3.18. Financial lease

There are no financial leases where the Bank is a lessor and/or lessee.

3.19. Non-current assets held for sale and disposal groups

Non-current assets held for sale are non-current assets held for sale and their carrying amount would be recovered principally through sale transactions rather than through their continuing use. Non-current assets held for sale are posted on account 3408.

As at the end of 2019, the bank has no noncurrent assets held for sale.

3.20. Discontinued operations

The Bank did not discontinue any operations.

3.21. Derivatives

Derivative financial instruments including foreign currency contracts and currency swaps are carried at fair value. All derivatives are carried as assets when their fair value is positive or as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss for the year. The Bank does not use hedge accounting.

3.22. Borrowings

Borrowings are initially recognized at cost that represents the proceeds net of transaction costs. Subsequently borrowings are carried at amortized cost and any difference between net proceeds and the redemption value is recognized in profit or loss and other comprehensive income over the life of borrowings using effective interest rate.

Borrowings at rates different from the market rates are restated at fair value at the time of their receipt. Fair value represents future interest payments and repayment of the principal discounted at market interest rates applicable to similar borrowings.

Any difference between the fair value and the nominal value of borrowings at the time of their receipt is shown in profit or loss and other comprehensive income as income in case liabilities arise at rates lower than market rates or as losses when liabilities are incurred at rates exceeding market rates. Subsequently the carrying amount of borrowings is adjusted for the amortization of revenues (losses) at the time of their receipt and related costs are included in interest expense in profit or loss and other comprehensive income using the effective interest rate method.

3.23. Provisions for liabilities

Provisions are non-financial liabilities of uncertain timing or amount. Provisions are recognized in the financial statements when the Bank has a present legal or constructive obligation as a result of past events the settlement of which is expected to result in an outflow from the Bank of resources embodying economic benefits, and amount of this obligation can be measured reliably.

3.24. Income taxes

These financial statements show taxation in accordance with legal norms, using tax rates and legal requirements that were effective or substantively enacted at the end of the reporting period. Income tax expenses or credits include current tax and deferred tax and are recognized in profit or loss for the year, unless they are to be recognized in other comprehensive income or directly in equity since they relate to transactions recorded in the reporting or in a different period in other comprehensive income or directly in equity.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the current and prior periods.

Under current law, basic income tax rate was **18% in 2019 and 2020**.

The difference between financial accounting profits and profits determined in accordance with current tax legislation result from different methods used to determine profits in financial and tax accounting.

As at the end of the day December 31, 2020, the Bank did not have investments in subsidiaries and associates.

During the reporting period, the Bank did not discontinue any operations and, therefore, there is no tax expense, income attributable to profit, or loss from discontinued operations.

3.25. Share capital and share premium

Ordinary shares are designated as equity. Accumulated costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

The Bank may declare and pay dividends only in accordance with Ukrainian laws and regulations.

Dividends on ordinary shares are shown as a distribution of retained earnings in the period they were declared.

3.26. Treasury shares

The Bank did not have treasury shares in the reporting period.

3.27. Recognition of income and expenses

Commissions representing an integral part of the effective interest rate include commissions received or paid in respect to the creation or acquisition of a financial asset or the issue of a financial liability (e.g. fees for solvency assessment, assessment and recording of guarantees or collateral, negotiating the terms of an instrument and transaction documents processing). Market interest rate loan origination commissions received by the Bank are an integral part of the effective interest rate if it is probable that the Bank will enter into a specific loan agreement and will not plan to sell the loan shortly after its origination. The Bank does not carry credit-related commitments as financial liabilities carried at fair value through profit or loss.

If recoverability of loans or other debt instruments becomes doubtful, their value is reduced to the present value of expected cash flows, and interest income is recorded thereafter on the basis of the effective interest rate of this instrument used to measure an impairment loss.

All other fees, commissions and other proceeds and expenses are generally recorded on accrual basis depending on the stage of completion of a specific transaction defined as a proportion of services actually provided in the total services to be provided.

3.28. Foreign currency revaluation

The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The functional and presentation currency of the Bank's financial statements is the national currency of Ukraine, the Ukrainian hryvnia.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the National Bank of Ukraine at the end of the respective reporting period. Gains and losses from exchange differences resulting from transaction settlements and translation of monetary assets and liabilities into the functional currency at the official exchange rates of the National Bank of Ukraine at the end of the year are recorded as profit or loss for the year (as gains less losses from trading in foreign currency and gains less losses from foreign currency revaluation, respectively). Non-monetary items measured at cost are not translated at year-end exchange rates. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value is determined. Effects of exchange rate changes on non-monetary items measured at fair value are recorded in gains or losses from changes in fair value.

Performance and financial position of the Bank are translated into the presentation currency as follows:

- (i) assets and liabilities presented in the statement of financial position are translated using exchange rates as at the end of the respective reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction);
- (iii) components of equity are translated at historical exchange rates; and
- (iv) all exchange differences arising are recognized as components of other comprehensive income.

As at December 31, the principal rates of exchange used for translating foreign currency balances were as follows:

| Currency | Currency code | 2020 | 2019 |
|----------|---------------|---------|---------|
| USD 100 | 840 | 28,2746 | 23,6862 |
| EUR 100 | 978 | 34,7396 | 26,4220 |
| GBP 100 | 826 | 38,4393 | 31,0206 |
| RUB 10 | 643 | 0,3782 | 0,38160 |
| BYN 10 | 933 | 10,8477 | 11,2577 |

3.29. Offsetting assets and liabilities

Offsetting of financial assets and liabilities with subsequent presentation of their net amount in the statement of financial position is allowed only if there is a legal right to offset recognized amounts and there is an intention to settle on the net basis, or to simultaneously realize the asset and settle the liability.

3.30 Information by operating segments

A segment is a separate component of the Bank's business, which supplies services or products (a business segment) or provides services or delivers products within a particular economic environment that is exposed to risks and earns returns that are different from other segments.

A segment should be presented separately if a major portion of its income is generated from banking operations outside the segment, and at the same time, its performance indicators meet the following criterion: revenue of the segment is 10% or more of the total income (including banking activity within the segment).

In preparing this Note and taking the criterion into account, the Bank has established the following reporting segments:

- services to corporate customers;
- services to individuals;
- centralized treasury transactions and unallotted items.

Segment assets and liabilities comprise operating assets and liabilities most of which are presented in the statement of financial position; however, they exclude certain items, e.g. cash and taxation.

Inter-segmental transactions are based on commercial terms. Funds are allocated to segments creating transfer income and expenses, included into operating income (see *Exclusion* column of *Interest Income* and *Interest expenses* item). Interest charged for these funds are calculated based on expenses incurred for financing of the Bank. Adjustments for internal settlements and transfer pricing were disclosed in the results of performance of each segment; there are no other material income and expenses resulting in operations between segments.

Information by geographical segments are not presented, as the Bank does not operate outside Ukraine.

3.31. Related-parties' transactions

In accordance with IAS 24 *Related Party Disclosures*, the parties, as a rule, are considered to be related, if they are under control, joint control, or if a party can control the other party or have a significant influence over financial and operating issues.

Usual operations of the Bank include transactions with the major shareholders, jointly controlled companies and other related parties. Special attention is paid to the essence of relations rather than to their legal form, when considering relations with each probable related party.

Methods of measurement of assets and liabilities, used in recognition of a related party transaction, do not differ from those generally accepted.

Agreements between the Bank and its related parties do not provide for preferential terms compared to agreements with other parties.

3.32. Effect of changes in accounting policies, accounting estimates and adjustment of significant errors

IFRS 16 *Leases*, effective as of January 1, 2019, introduced significant changes to accounting of lease transactions for lessees. As a result, changes were introduced into the Accounting policies of the Bank. These changes are described in p. 3.17 of Note 3 *Basis of preparation of the financial statements and summary of accounting policies* and Note 4 *New and revised standards*.

3.33. Major accounting estimates and judgments applied

Preparation of financial statements requires that management make judgements, estimates, and assumptions that affect the application of accounting policies, amounts of assets and liabilities, earnings and expenses recognized in the financial statements and the disclosure of contingent assets and liabilities. Judgements are

being improved continuously and are based on the previous experience of the Bank's employees and on other factors, including forecasting future events deemed reasonable based on existing circumstances.

Professional judgements that have the most significant effect on amounts recognized in the financial statements and estimates that can result in significant adjustments to the carrying amounts of assets and liabilities in subsequent periods include:

Going concern

Management has considered available information on the Bank's operations and determined that there is no information, which would indicate that the Bank might cease its operations. Therefore, Bank prepared these financial statements based on the going concern assumption.

Initial recognition of financial assets and liabilities

Financial assets and liabilities are initially recognized at fair value. After that, the bank measures debt financial instrument based on business model and characteristics of cash flows, set by the agreement, through:

- 1) depreciated cost;
- 2) fair value through other comprehensive income;
- 3) fair value through profit or loss.

The Bank selects business model for groups of financial assets, managed as a whole to reach certain business goal, rather than a separate asset.

The bank regularly reviews the business model, used to manage financial assets in order to generate cash flows. As at the date of review of a business model, the bank takes into account all objective factors, available as at the date:

- 1) efficiency of business model, profitability of financial assets, held within this business model, information received by leading management;
- 2) risks, influencing business model efficiency, including profitability of financial assets, held within this business model, as well as method of risk management;
- 3) indices used to define mechanism of remuneration for managers.

The Bank measures and discloses debt financial asset at amortized cost, if both criteria are met:

- 1) financial asset is held within the business model, aimed at holding of financial assets to receive cash flows, set by agreement;
- 2) financial asset agreement provides for fixed-dates receipt of cash flows, which are solely payments of principal and interest on non-repaid part of principal.

Impairment of loans and advances to customers

The bank recognizes loss allowances for ECL under debt financial assets, measured at amortized cost, and debt financial assets, recorded at fair value, recognizing revaluation through other comprehensive income.

The bank recognizes provision for financial asset at the first stage of impairment (ECL for 12 months) not later than the nearest reporting date after initial recognition of financial asset. The nearest reporting date regarding charging of loss allowances for ECL under financial instruments is the last day of a month, when financial instrument was recognized.

As at the next reporting date after initial recognition, the bank assesses the level of increase of ECL for financial instrument as of the date of initial recognition.

The bank continues to recognize loss allowances for financial asset at the first stage of impairment, if as at the reporting date level of risk for financial asset did not significantly increase as of the date of initial recognition of an asset, or financial asset has low credit risk as at the reporting date.

The bank recognizes loss allowance for financial asset at the second stage of impairment (ECL during the full life of financial asset), if, as at the reporting date, the risk level significantly increased as of the day of initial recognition.

The bank recognizes loss allowance for financial asset at the third stage of impairment (ECL during the full life of financial asset), if, as at the reporting date, there is objective evidence of impairment of an asset.

The bank does not recognize loss allowance for purchased or created impaired financial assets as at the date of initial recognition. Initial ECL for such financial asset are included into effective interest rate, adjusted by credit risk.

Transition of such asset from third stage of impairment to second or first stage is not possible.

When assessing impairment of financial assets, value of financial assets with non-collectability risk may be decreased by loss allowances, increased by liquidity coefficient and decreased by cost of sales; time, needed for sale of collateral, is also taken into account.

When assessing impairment of financial asset, value of collateral, accepted as pledge, is taken into account, if all of the following principles are met:

- principle of unobstructed collection;
- principle of fair value;
- principle of existence.

Principle of fair value provides for bank evaluation of a collateral at the level, which is not higher than market (fair) value and makes it possible to sell it to a third party. The bank revalues collateral on regular basis, set for each individual type of collateral.

Valuation of fixed assets (land and buildings)

Land and buildings owned by the Bank are classified as property, equipment, and investment property and carried at fair value. For the purposes of fair valuation of its property, the Bank management engages independent appraisers. Properties are fair valued on the basis of the market comparisons method that takes into account the prices of the latest transactions with similar properties, and the income approach. Fair valuation of buildings requires judgements and assumptions with respect to the comparability of properties and other factors.

Note 4. New and revised standards

Accounting policies applied are consistent with accounting policies as used in the previous financial year, except for new adopted standards, effective from January 1, 2020.

Accounting policies used are consistent with the accounting policies used in the previous year, except for the new standards applicable as at January 1, 2020.

The Bank did not use earlier application of any other standards, clarifications or amendments, adopted but not effective yet.

NEW STANDARDS AND INTERPRETATIONS MANDATORY FOR THE BANK AS OF JANUARY 1, 2020

Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework is accompanied by a *Basis for Conclusions*. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework.

IAS 1 Presentation of financial statements and IAS 8 Accounting principles (policy), changes in estimates and correction of errors

The IASB has published a new definition of 'material'. Amendments to IAS 1 and IAS 8 clarify the definition and increase consistency across standards.

Amendment to IFRS 3 Business Combinations

Amendments to IFRS 7 and IFRS 9 – Interest Rate Benchmark Reform

These amendments did not have any effect on the financial statement of the Bank.

NEW STANDARDS AND INTERPRETATION THAT WILL BE MANDATORY FOR THE BANK IN THE FUTURE

The following new standards and interpretations were issued that will be mandatory for the Bank in the reporting periods **starting on or after 1 January 2021 or at a later date**.

The Bank did not apply these standards before the date of mandatory application.

IFRS 17 Insurance contracts

IFRS 17 creates one accounting model for all insurance contracts.

IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims.

Insurance contracts are required to be measured based only on the obligations created by the contracts.

An entity will be required to recognize profits as an insurance service is delivered, rather than on receipt of premiums.

This standard replaces IFRS 4 - Insurance contracts. The standard is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The standard is not applicable to the Bank.

Amendments to IAS 1 Presentation of Financial Statements

Classification of liabilities as current and non-current is clarified. Before amendments, an entity should have had no unconditional right to defer settlement for at least 12 months to classify a liability as current. Amendments clarify the following:

- what is the right to defer the settlement;
- the right to defer the settlement should exist as at the end of the period;
- classification of liabilities is not affected by probability that an entity may use its right to defer the settlement;
- terms of a liability do not affect its classification only if a derivative embedded into converted liability is an equity instrument.

The amendments are effective for annual reporting periods, starting from January 1, 2022, or later and are to be applied retrospectively. Currently, the Bank assesses the possible effect of the changes to existing approach and the possible need to review existing agreements.

Amendments to IAS 16 Property, Plant and Equipment

Amendments prohibit to decrease value of items of property, plant and equipment by proceeds from selling any items, produced while bringing of items of property, plant and equipment into use. These proceeds and cost of production of these items should be recognized in income/lossy.

The amendment is effective for annual reporting periods, starting from January 1, 2022, or later and are to be applied retrospectively to items of property, plant and equipment capable of operating on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. These amendments would not have any effect on the financial statement of the Bank.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Amendments relate to definition what expenses are to be included into consideration of whether a contract is onerous. These expenses include additional costs to fulfil a contract and allocated expenses, directly related to fulfillment of the contract. General and administrative expenses are not directly related to the contract except for cases when they are to be compensated by counterparts.

The amendments are effective for annual reporting periods, starting from January 1, 2022, or later and are to be applied retrospectively. These amendments would not have any effect on the financial statement of the Bank.

Amendment to IFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

Commission fee, taken into account in assessment whether terms of a new liability materially differ from terms of initial liability, includes only those fees, paid or received by creditor and borrower, including those offered in the name of other party.

The amendments are effective for annual reporting periods, starting from January 1, 2022, or later; earlier application is permitted. The Bank shall apply them for financial liabilities to be modified or exchanges as at the date or after the beginning of the earliest period presented in the financial statements in which the Bank first applies the amendments. These amendment would not have significant effect on the financial statement of the Bank.

Note 5. Cash and cash equivalents

Table 5.1. Cash and equivalent

| | | UAH'000 | |
|------|---|----------------|----------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Cash in hand | 110 391 | 66 770 |
| 2 | Amounts with the National Bank of Ukraine (except for mandatory reserves) | 86 591 | 41 136 |
| 3 | Correspondent accounts, overnight loans and deposits with other banks: | 176 645 | 85 438 |
| 3.1 | of Ukraine | 31 618 | 14 750 |
| 3.2 | of other countries | 145 027 | 70 688 |
| 4 | Total cash | 373 627 | 193 344 |
| 5 | Allowances for expected credit losses | (1 223) | (1 246) |
| 6 | Total cash and cash equivalents | 372 404 | 192 098 |

Information in Note 5 and Table 5.1, Line 6 is used for the purposes of the statement of financial position (the balance sheet).

Table 5.2 Changes in allowances for expected credit losses for cash and cash equivalents

| | | UAH'000 | | | |
|------|--|----------------|---------|-----------------|-----------------|
| Line | Item | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Allowance for ECL as at 01.01.2019 | (6 983) | - | (35 000) | (41 983) |
| 2 | (Increase)/decrease of the allowance during the period | 5 737 | | 35 000 | 40 737 |
| 3 | Allowance for ECL as at the end of the day 31.12.2019 | (1 246) | - | - | (1 246) |
| 4 | (Increase)/decrease of the allowance during the period | 23 | - | - | 23 |
| 5 | Allowance for ECL as at the end of the day 31.12.2020 | (1 223) | - | - | (1 223) |

Table 5.3 Analysis of credit quality of cash and cash equivalents as at 31.12.2020

| Line | Item | Cash in hand | Amounts with the NBU | Correspondent accounts | UAH'000 Total |
|------|---|----------------|----------------------|------------------------|------------------|
| 1 | Cash and cash equivalents at first stage of impairment | 110 391 | 86 591 | 176 645 | 373 627 |
| 1.1 | Cash and cash equivalents without delayed payment | 110 391 | 86 591 | 176 645 | 373 627 |
| 2 | Total cash and cash equivalents | 110 391 | 86 591 | 176 645 | 373 627 |
| 3 | Allowances for expected credit losses of cash and cash equivalents | - | - | (1 223) | (1 223) |
| 4 | Total cash and cash equivalents less allowances for expected credit losses | 110 391 | 86 591 | 175 422 | 372 404 |

Table 5.3 Analysis of credit quality of cash and cash equivalents as at 31.12.2019

| Line | Item | Cash in hand | Amounts with the NBU | Correspondent accounts | UAH'000 Total |
|------|---|---------------|----------------------|------------------------|------------------|
| 1 | Cash and cash equivalents at first stage of impairment | 66 770 | 41 136 | 85 438 | 193 344 |
| 1.1 | Cash and cash equivalents without delayed payment | 66 770 | 41 136 | 85 438 | 193 344 |
| 2 | Total cash and cash equivalents | 66 770 | 41 136 | 85 438 | 193 344 |
| 3 | Allowances for expected credit losses of cash and cash equivalents | - | - | (1 246) | (1 246) |
| 4 | Total cash and cash equivalents less allowances for expected credit losses | 66 770 | 41 136 | 84 192 | 192 098 |

Table 5.5 Cash and cash equivalents for the purposes of the statement of cash flows

| Line | Item | 31.12.2020 | UAH'000 31.12.2019 |
|------|---|----------------|-----------------------|
| 1 | Cash in hand | 110 391 | 66 770 |
| 2 | Amounts with the National Bank of Ukraine (except for mandatory reserves) | 86 591 | 41 136 |
| 3 | Correspondent accounts, overnight loans and deposits with other banks | 176 645 | 85 438 |
| 4 | Deposit certificates of NBU | 470 000 | 567 000 |
| 5 | Total cash and cash equivalents | 843 627 | 760 344 |

Note 6. Loans and due from banks

Table 6.1 Loans and due from banks

| UAH'000 | | | |
|---------|--|------------|---------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Loans and due from banks at amortized cost | - | 12 387 |
| 2 | Total loans and due from banks less allowances for expected credit losses | - | 12 387 |

Information in Note 6 and Table 6.1, Line 4 is used for the purposes of the statement of financial position (the balance sheet).

Table 6.2 Loans and due from banks measured at amortized cost

| UAH'000 | | | |
|---------|--|------------|---------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Deposits in other banks | - | 13 213 |
| 1.1 | Short-term | - | - |
| 1.2 | Long-term | - | 13 213 |
| 2 | Allowances for expected credit losses for deposits in other banks | - | (826) |
| 3 | Loans to other banks | 7 148 | 17 000 |
| 3.1 | Short-term | - | - |
| 3.2 | Long-term | 7 148 | 17 000 |
| 4 | Allowances for expected credit losses for loans to other banks | (7 148) | (17 000) |
| 5 | Total loans and due from other banks measured at amortized cost | - | 12 387 |

Information of Note 6 and Table 6.2, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 6.3 Change of allowances for expected credit losses of loans and due from banks, measured at amortized cost

| UAH'000 | | | | | |
|---------|--|--------------|---------|-----------------|-----------------|
| Line | Changes in allowances for expected credit losses | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Balance as at 01.01.2019 | - | - | - | - |
| 2 | (Increase)/decrease of the allowance during the period | (826) | - | (17 000) | (17 826) |
| 3 | Balance as at the end of the day 31.12.2019 | (826) | - | (17 000) | (17 826) |
| 4 | (Increase)/decrease of the allowance during the period | 826 | - | 9 852 | 10 678 |
| 5 | Balance as at the end of the day 31.12.2020 | - | - | (7 148) | (7 148) |

Table 6.4. Credit quality of deposits in other banks as at 31.12.2019

| Line | Item | Stage 1 | UAH'000 Total |
|------|---|---------------|------------------|
| 1 | Deposits in other banks: | 13 213 | 13 213 |
| 1.1 | Minimal credit risk | 13 213 | 13 213 |
| 2 | Total gross carrying amount of deposits in other banks | 13 213 | 13 213 |
| 3 | Allowances for expected credit losses for deposits in other banks | (826) | (826) |
| 4 | Total deposits in other banks less allowances for expected credit losses | 12 387 | 12 387 |

Table 6.5. Credit quality of deposits in other banks as at 31.12.2020

| Line | Item | Stage 3 | UAH'000 Total |
|------|---|----------|------------------|
| 1 | Deposits in other banks: | 7 148 | 7 148 |
| 1.1 | Minimal credit risk | 7 148 | 7 148 |
| 2 | Total gross carrying amount of deposits in other banks | 7 148 | 7 148 |
| 3 | Allowances for expected credit losses for deposits in other banks | (7 148) | (7 148) |
| 4 | Total deposits in other banks less allowances for expected credit losses | - | - |

Table 6.6. Credit quality of loans to banks as at 31.12.2019

| Line | Item | Stage 3 | UAH'000 Total |
|------|--|----------|------------------|
| 1 | Loans to other banks: | 17 000 | 17 000 |
| 1.1 | Defaulted assets | 17 000 | 17 000 |
| 2 | Total gross carrying amount of loans to other banks | 17 000 | 17 000 |
| 3 | Allowances for expected credit losses for loans to other banks | (17 000) | (17 000) |
| 4 | Total loans less allowances for expected credit losses | - | - |

Note 7. Loans and advances to customers

Table 7.1 Loans and advances to customers

| Line | Item | 31.12.2020 | UAH'000 31.12.2019 |
|------|--|------------|-----------------------|
| 1 | Loans and advances to customers measured at amortized cost | 1 303 163 | 701 310 |

| | | | |
|----------|---|------------------|----------------|
| 2 | Total loans and advances to customers less allowances for expected credit losses | 1 303 163 | 701 310 |
|----------|---|------------------|----------------|

Information in Note 7 and Table 7.1, Line 2 is used for the purposes of the statement of financial position (the balance sheet).

Table 7.2 Loans and advances to customers measured at amortized cost

| | | UAH'000 | |
|----------|---|------------------|----------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Corporate loans | 1 674 368 | 1 085 288 |
| 2 | Mortgage loans to individuals | 13 959 | 12 109 |
| 3 | Consumer loans to individuals | 86 791 | 57 346 |
| 4 | Allowances for expected credit losses | (471 955) | (453 433) |
| 5 | Total loans less allowances for expected credit losses | 1 303 163 | 701 310 |

Information in Note 7 and Table 7.2, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 7.3 Analysis of changes in allowances for expected credit losses of loans and advances to customers in 2020

| | | UAH'000 | | | |
|----------|---|-----------------|----------------|------------------|------------------|
| Line | Changes | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Balance as at 01.01.2020 | (23 474) | (9 166) | (420 793) | (453 433) |
| 2 | (Increase)/decrease of allowances for expected credit losses during the period | 9 801 | (1 161) | (35 439) | (26 799) |
| 3 | Recognition of profit/loss through allowances for expected credit losses accounts | - | - | (1 135) | (1 135) |
| 4 | Write-off of bad debts | - | - | 6 698 | 6 698 |
| 5 | Adjustment of interest income measured at amortized cost | - | - | 1 168 | 1 168 |
| 6 | Transfer to stage 1 | (1 022) | 1 003 | 19 | - |
| 7 | Transfer to stage 2 | 212 | (214) | 2 | - |
| 8 | Exchange rate differences | 5 | 33 | 1 508 | 1 546 |
| 9 | Balance as at the end of the day 31.12.2020 | (14 478) | (9 505) | (447 972) | (471 955) |

Table 7.4 Analysis of changes in allowances for expected credit losses of loans and advances to customers in 2019

| | | UAH'000 | | | |
|----------|--|-----------------|----------------|------------------|------------------|
| Line | Changes | Stage 1 | Stage 2 | Stage 3 | Total |
| 1 | Balance as at 01.01.2019 | (16 496) | (3 476) | (354 762) | (374 734) |
| 2 | (Increase)/decrease of allowances for expected credit losses during the period | (6 681) | (5 509) | (64 232) | (76 422) |

| Line | Changes | Stage 1 | Stage 2 | Stage 3 | Total |
|----------|---|-----------------|----------------|------------------|------------------|
| 3 | Recognition of profit/loss through allowances for expected credit losses accounts | - | - | (1 168) | (1 168) |
| 4 | Write-off of bad debts | - | - | 5 | 5 |
| 5 | Adjustment of interest income measured at amortized cost | - | - | 693 | 693 |
| 6 | Transfer to stage 2 | 18 | (18) | - | - |
| 7 | Exchange rate differences | (315) | (163) | (1 329) | (1 807) |
| 8 | Balance as at 31.12.2019 | (23 474) | (9 166) | (420 793) | (453 433) |

Table 7.5 Analysis of changes in gross carrying amount of loans and advances to customers, measured at amortized cost, in 2020

UAH'000

| Line | Changes | Stage 1 | Stage 2 | Stage 3 | Total |
|-----------|---|----------------|----------------|----------------|------------------|
| 1 | Opening carrying amount | 331 933 | 348 186 | 474 624 | 1 154 743 |
| 2 | Acquired/initiated financial assets and other changes | 405 452 | 430 110 | 2 820 | 838 382 |
| 3 | Derecognized or paid-back financial assets (except for written-off) | (160 301) | (100 912) | (6 977) | (268 190) |
| 4 | Transfer to stage 1 | 163 876 | (161 189) | (2 687) | - |
| 5 | Transfer to stage 2 | (13 737) | 13 758 | (21) | - |
| 6 | Transfer to stage 3 | (722) | - | 722 | - |
| 7 | Write-off of financial assets | - | - | (6 699) | (6 699) |
| 8 | Exchange rate differences | 15 632 | 38 764 | 4 211 | 58 607 |
| 9 | Other changes | 20 301 | (32 664) | 10 638 | (1 725) |
| 10 | Closing carrying amount | 762 434 | 536 053 | 476 631 | 1 775 118 |

Table 7.6 Analysis of changes in gross carrying amount of loans and advances to customers, measured at amortized cost, in

UAH'000

| Line | Changes | Stage 1 | Stage 2 | Stage 3 | Total |
|----------|---|----------------|----------------|----------------|------------------|
| 1 | Opening carrying amount | 358 672 | 188 247 | 460 447 | 1 007 366 |
| 2 | Acquired/initiated financial assets and other changes | 204 621 | 235 534 | 26 154 | 466 309 |
| 3 | Derecognized or paid-back financial assets (except for written-off) | (168 767) | (104 000) | (9 397) | (282 164) |
| 4 | Transfer to stage 2 | (55 977) | 55 977 | - | - |
| 5 | Write-off of financial assets | - | - | (5) | (5) |
| 6 | Exchange rate differences | (6 617) | (27 572) | (2 574) | (36 763) |
| 7 | Closing carrying amount | 331 933 | 348 186 | 474 624 | 1 154 743 |

Table 7.7 Loan portfolio structure by economic sectors

| № | Economic sector | 31.12.2020 | | 31.12.2019 | |
|-----------|---|------------------|-------------|------------------|-------------|
| | | amount | % | amount | % |
| 1 | Production and distribution of electricity, gas and water | 141 052 | 7,95% | 147 234 | 12,75% |
| 2 | Real estate transactions, lease, engineering and provision of services | 4 959 | 0,28% | - | - |
| 3 | Trade, car repairs, domestic appliances and personal appliances | 1 148 871 | 64,72 % | 610 284 | 52,85% |
| 4 | Agriculture, hunting and forestry | 67 880 | 3,82% | 56 404 | 4,88% |
| 5 | Construction | 214 451 | 12,08 % | 205 946 | 17,84% |
| 6 | Private security companies | 61 | 0,01% | - | - |
| 7 | Landscaping | 2 555 | 0,14% | - | - |
| 8 | Ore mining | 24 366 | 1,37% | 23 739 | 2,06% |
| 9 | Leasing | 10 537 | 0,59% | - | - |
| 10 | Insurance | 4 996 | 0,28% | 1 483 | 0,13% |
| 11 | Financial market management | 40 792 | 2,30% | 40 197 | 3,48% |
| 12 | Other | 13 849 | 0,78% | - | - |
| 13 | Individuals | 100 749 | 5,68% | 69 456 | 6,01% |
| 14 | Total loans and advances to customers less allowances for expected credit losses | 1 775 118 | 100% | 1 154 743 | 100% |

Table 7.8 Loans by the types of collateral as at 31.12.2020

| Line | Changes | | | | UAH'000 |
|----------|---|------------------|-------------------------------|-------------------------------|------------------|
| | | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
| 1 | Unsecured loans | 19 367 | - | 39 158 | 58 525 |
| 2 | Loans secured by: | 1 655 001 | 13 959 | 47 633 | 1 716 593 |
| 2.1 | cash deposits | 10 574 | - | 10 994 | 21 568 |
| 2.2 | securities | 14 588 | - | - | 14 588 |
| 2.3 | property | 98 528 | 9 094 | 1 608 | 109 230 |
| 2.3.1 | including residential property | 23 570 | 9 047 | 1 242 | 33 859 |
| 2.4 | guarantees and sureties | 798 642 | 4 865 | 17 886 | 821 393 |
| 2.5 | other assets | 732 669 | - | 17 145 | 749 814 |
| 3 | Total loans and advances to customers less allowances for expected credit losses | 1 674 368 | 13 959 | 86 791 | 1 775 118 |

Table 7.9 Loans by the types of collateral as at 31.12.2019

UAH'000

| Line | Changes | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|----------|---|------------------|-------------------------------|-------------------------------|------------------|
| 1 | Unsecured loans | 319 230 | 71 | 26 607 | 345 908 |
| 2 | Loans secured by: | 766 058 | 12 038 | 30 739 | 808 835 |
| 2.1 | cash deposits | 8 099 | 933 | - | 9 032 |
| 2.2 | property | 324 524 | 11 105 | 27 520 | 363 149 |
| 2.2.1 | including residential property | 14 109 | 11 105 | 26 808 | 52 022 |
| 2.3 | other assets | 433 435 | - | 3 219 | 436 654 |
| 3 | Total loans and advances to customers less allowances for expected credit losses | 1 085 288 | 12 109 | 57 346 | 1 154 743 |

Table 7.10 Analysis of credit quality of the loan portfolio as at 31.12.2020

UAH'000

| Line | Changes | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|----------|---|------------------|-------------------------------|-------------------------------|------------------|
| 1 | Loans at 1 st stage of impairment: | 709 101 | 2 912 | 50 421 | 762 434 |
| 1.1 | Not overdue | 709 101 | 2 912 | 47 807 | 759 820 |
| 1.2 | Overdue up to 31 day | - | - | 2 614 | 2 614 |
| 2 | Loans at 2 nd stage of impairment: | 511 758 | - | 24 295 | 536 053 |
| 2.1 | Not overdue | 511 758 | - | 23 338 | 535 096 |
| 2.2 | 32 to 92 days overdue | - | - | 25 | 25 |
| 2.3 | Loans at 2 nd stage of impairment: | - | - | 932 | 932 |
| 3 | Loans at 3 rd stage of impairment: | 453 509 | 11 047 | 12 075 | 476 631 |
| 3.1 | Not overdue | 255 984 | - | 30 | 256 014 |
| 3.2 | 32 to 92 days overdue | - | 722 | 46 | 768 |
| 3.3 | 93 – 183 days overdue | - | - | 1 681 | 1 681 |
| 3.4 | 184 to 365 (366) days overdue | - | 48 | 2 331 | 2 379 |
| 3.5 | over 366 (367) days overdue | 197 525 | 10 277 | 7 987 | 215 789 |
| 4 | Total loans before allowances | 1 674 368 | 13 959 | 86 791 | 1 775 118 |
| 5 | Allowances for expected credit losses | (443 594) | (10 231) | (18 130) | (471 955) |
| 6 | Total loans less allowances for expected credit losses | 1 230 774 | 3 728 | 68 661 | 1 303 163 |

Table 7.11 Analysis of credit quality of the loan portfolio as at 31.12.2019

UAH'000

| Line | Changes | Corporate loans | Mortgage loans to individuals | Consumer loans to individuals | Total |
|------|---|-----------------|-------------------------------|-------------------------------|----------------|
| 1 | Loans at 1 st stage of impairment: | 302 121 | 1 004 | 28 808 | 331 933 |
| 1.1 | Not overdue | 302 121 | 1 004 | 28 808 | 331 933 |
| 2 | Loans at 2 nd stage of impairment: | 337 880 | 2 495 | 7 811 | 348 186 |
| 2.1 | Not overdue | 337 880 | 1 949 | 7 811 | 347 640 |
| 2.2 | 32 to 92 days overdue | - | 546 | - | 546 |
| 3 | Loans at 3 rd stage of impairment: | 445 287 | 8 610 | 7 588 | 461 485 |
| 3.1 | Not overdue | 241 062 | - | - | 241 062 |
| 3.2 | 184 to 365 (366) days overdue | 6 699 | - | 7 588 | 14 287 |
| 3.3 | over 366 (367) days overdue | 197 526 | 8 610 | - | 206 136 |
| 4 | Collectively impaired loans: | - | - | 13 139 | 13 139 |
| 4.1 | Not overdue | - | - | 12 946 | 12 946 |
| 4.2 | less than 31 days overdue | - | - | 46 | 46 |
| 4.3 | 32 to 92 days overdue | - | - | 19 | 19 |
| 4.4 | 93 to 183 days overdue | - | - | 67 | 67 |
| 4.5 | 184 to 365 (366) days overdue | - | - | 15 | 15 |
| 4.6 | over 366 (367) days overdue | - | - | 46 | 46 |
| 5 | Total loans and advances to customers | 1 085 288 | 12 109 | 57 346 | 1 154 743 |
| 6 | Allowances for expected credit losses | (434 073) | (7 635) | (11 725) | (453 433) |
| 7 | Total loans less allowances for expected credit losses | 651 215 | 4 474 | 45 621 | 701 310 |

Table 7.12 Effect of collateral value on the loan quality as at 31.12.2020

| Line | Item | Carrying amount | Collateral value | Collateral effect |
|------|-------------------------------|------------------|------------------|--------------------|
| 1 | Corporate loans | 1 674 368 | 5 766 862 | (4 092 494) |
| 2 | Mortgage loans to individuals | 13 959 | 23 391 | (9 432) |
| 3 | Consumer loans to individuals | 86 791 | 142 464 | (55 673) |
| 4 | Total loans | 1 775 118 | 5 932 717 | (4 157 599) |

Table 7.13 Effect of collateral value on the loan quality as at 31.12.2019

| | | | | UAH'000 |
|----------|-------------------------------|-----------------|------------------|--------------------|
| Line | Item | Carrying amount | Collateral value | Collateral effect |
| 1 | Corporate loans | 651 215 | 3 581 962 | (2 930 747) |
| 2 | Mortgage loans to individuals | 4 474 | 13 789 | (9 315) |
| 3 | Consumer loans to individuals | 45 621 | 104 538 | (58 917) |
| 4 | Total loans | 701 310 | 3 700 289 | (2 998 979) |

Note 8. Investment securities

Table 8.1 Investment securities

| | | | UAH'000 |
|----------|---|----------------|----------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Debt securities at fair value through other comprehensive income | 624 284 | 585 397 |
| 1.1 | Ukrainian government bonds | 154 130 | 128 555 |
| 1.2 | Saving (deposit) certificates issued by the NBU | 470 154 | 456 842 |
| 2 | Debt securities at fair value through other comprehensive income | - | - |
| 2.1 | Debt securities at fair value through other comprehensive income | 10 | 10 |
| 2.2 | Revaluation of corporate shares and other variable income securities at fair value through other comprehensive income | (10) | (10) |
| 3 | Debt securities measured at amortized cost | - | 111 140 |
| 3.1 | Saving (deposit) certificates issued by the NBU | - | 111 140 |
| 4 | Total investment securities | 624 284 | 696 537 |

Information in Note 8 and Table 8.1, Line 4 is used for the purposes of the statement of financial position (the balance sheet).

For the purposes of the statement of cash flows, saving (deposit) certificates issued by the NBU are classified as cash.

Impairment of debt securities issued by NBU and Ministry of Finance of Ukraine, is not recognized. These investments are treated as non-risk, allocated to first stage of impairment and are not impaired.

As at December 31, 2020, bank portfolio includes shares of UMBV PrJSC of UAH 10 thousand. Fair value of the shares is 0 UAH, allowances for expected credit losses for the total value of the asset was recognised.

Bank portfolio does not have securities, used for repo transactions, as at December 31, 2020.

Note 9. Investment property

Table 9.1 Investment property measured at fair value in the reporting period

| | | UAH'000 | |
|------|---|------------|------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Fair value of investment property as at the beginning of period | 376 990 | 469 109 |
| 2 | Acquisitions | - | - |
| 3 | Disposals | (79 765) | (88 842) |
| 4 | Losses from revaluation to fair value | (6 039) | (3 277) |
| 5 | Fair value of investment property as at the end of period | 291 186 | 376 990 |

Information in Note 9 and Table 9.1, Line 5 is used for the purposes of the statement of financial position (the balance sheet).

All investment properties were acquired by the Bank as a result of collateral foreclosure.

In 2019, one object of investment property was divided into 16 objects, eleven of which were sold.

Disposal of investment property resulted from its sale.

With respect to investment properties with carrying value of UAH 349 744 thousand, sales agreements with approved payment schedules were signed on 14.11.2017. Prepayments in the amount of UAH 5 324,7 thousand were received within the framework of these agreements as at 01.01.2020. Along with this, superficies agreements were signed for the period till the final settlements for these properties and their transfer to the buyers, which envisage a monthly income of UAH 225,1 thousand, including VAT, and a compensation of the Bank's expenses in the amount of UAH 8,5 thousand, including VAT.

In accordance with the results of valuation of investment property as at 01.11.2020, carried out by appraisers *Antey Realty* LLC (EDRPOU code 34190057) and *Ostriv Consulting Company* LLC (EDRPOU code 38506047), value of six investment property objects went up by UAH 867 thousand, while one object was devalued by UAH 6 906 thousand.

Table 9.2 Amounts disclosed in the statement of profit and loss and other comprehensive income (statement of financial performance)

| | | UAH'000 | |
|----|--|---------|---------|
| Nº | Income and expenses | 2020 | 2019 |
| 1 | Lease income from investment property | 2 772 | 3 347 |
| 2 | Direct operating expenses (including repairs and maintenance) from investment property that does not generate lease income | (1 835) | (2 136) |

Table 9.3 Future minimum lease payments under non-cancellable operating leases where the Bank is the lessor

| | | UAH'000 | |
|------|----------------------|------------|------------|
| Line | Operating lease term | 31.12.2020 | 31.12.2019 |
| 1 | Up to 1 year | 2 251 | 3 011 |
| 2 | 1-5 years | 4 708 | 10 268 |
| 3 | Total | 6 959 | 13 279 |

Note 10. Fixed and intangible assets

| | | | | | | | | | | UAH'000 | |
|-----------|---|--|------------------------------|--------------|--|---|--|---|----------------------|--------------|----------------|
| Line | Item | Bindings, structures and transmitting equipment | Machines and equipment | Vehicles | Instruments, devices and furniture | Other property and equipmen t | Other non- current tangible assets | Capital investments into fixed and intangible assets in progress | Intangible assets | Total | Line |
| 1 | Carrying amount as at 01.01.2019 | 89 033 | 3 953 | 449 | 749 | 83 | - | 72 | 2 740 | 1 021 | 98 100 |
| 1.1 | Historical (revalued) value | 115 001 | 16 218 | 4 862 | 4 106 | 469 | - | 4 067 | 2 740 | 5 481 | 152 944 |
| 1.2 | Depreciation and amortization – opening balance | (25 968) | (12 265) | (4 413) | (3 357) | (386) | - | (3 995) | | (4 460) | (54 844) |
| 2 | Effect of first application of IFRS 16 | - | - | - | - | - | 2 981 | | | | 2 981 |
| 3 | Acquisition | - | 2 568 | 5 758 | 79 | | 2 836 | 177 | 817 | 1 581 | 13 816 |
| 4 | Disposal | - | (50) | (2 173) | (3) | | (1) | (25) | - | (160) | (2 412) |
| 4.1 | Write-off of depreciation and amortization | | 43 | 2 173 | 3 | - | 1 | 25 | - | 160 | 2 405 |
| 5 | Depreciation and amortization charges | (2 272) | (1 441) | (620) | (193) | (29) | (1 904) | (249) | - | (837) | (7 545) |
| 6 | Carrying amount as at 01.01.2020 | 86 761 | 5 073 | 5 587 | 635 | 54 | 3 913 | - | 3 557 | 1 765 | 107 345 |
| 6.1 | Historical (revalued) value | 115 001 | 18 736 | 8 447 | 4 182 | 469 | 5 816 | 4 219 | 3 557 | 6 902 | 167 329 |
| 6.2 | Depreciation and amortization – opening balance | (28 240) | (13 663) | (2 860) | (3 547) | (415) | (1 903) | (4 219) | - | (5 137) | (59 984) |
| 7 | Acquisition | - | 1 167 | 545 | 35 | - | 476 | 401 | 1 275 | 9 024 | 12 923 |
| 8 | Disposal | - | (146) | (697) | (275) | (4) | (6) | (105) | (4 075) | (969) | (6 277) |
| 8.1 | Write-off of depreciation and amortization | - | 146 | 697 | 275 | 4 | 6 | 105 | | 945 | 2 178 |
| 9 | Depreciation and amortization charges | (2 325) | (1 619) | (1 360) | (183) | (20) | (2 087) | (401) | - | (975) | (8 970) |
| 10 | Revaluation | 23 712 | | | | | 31 | | | | 23 743 |
| 10.1 | Historical value | 32 205 | | | | | 43 | | | | 32 248 |
| 10.2 | Depreciation | (8 493) | | | | | (12) | | | | (8 505) |
| 11 | Carrying amount as at 31.12.2020 | 108 148 | 4 621 | 4 772 | 487 | 34 | 2 333 | - | 757 | 9 790 | 130 942 |
| 11.1 | Historical (revalued) value | 147 206 | 19 757 | 8 295 | 3 942 | 465 | 6 329 | 4 515 | 757 | 14 957 | 206 223 |
| 11.2 | Depreciation and amortization – closing balance | (39 058) | (15 136) | (3 523) | (3 455) | (431) | (3 996) | (4 515) | | (5 167) | (75 281) |

As at December 31, 2020, historical (revalued) value of fully depreciated property and equipment is UAH 20 151 thousand (UAH 19 900 thousand as at 31.12.2019). The Bank has no property and equipment with legally restricted usage and disposal. In 2020, fixed and intangible assets were not pledged.

Buildings are carried at revaluation represented by the fair value net of subsequently accumulated depreciation. As at December 31, 2020, the management obtained evaluations from independent professional appraisers for the purposes of the building's fair valuation. The method used for the fair valuation of buildings includes comparison with the data of recent sales of similar buildings. Principal assumptions relate to the state, quality and location of buildings that were compared. As at December 31, 2020, the carrying amount of buildings, included into financial statements, would have been UAH 18906 thousand, were the building disclosed at purchase price less accumulated depreciation (UAH 19 654 thousand - 2019).

Note 11. Other assets

Table 11.1 Other assets

| | | UAH'000 | |
|----------|---|----------------|---------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Other financial assets: | 113 338 | 24 042 |
| 1.1 | Receivables for transactions with payment cards | 2 848 | 1 507 |
| 1.2 | Restricted cash | 323 551 | 235 866 |
| 1.3 | Other financial assets | 2 078 | 634 |
| 1.4 | Allowances for expected credit losses of other financial assets | (215 139) | (213 965) |
| 2 | Other assets: | 4 007 | 6 918 |
| 2.1 | Receivables under asset sale | 729 | - |
| 2.2 | Advances for services | 3 371 | 6 891 |
| 2.3 | Other assets | 629 | 511 |
| 2.4 | Allowances for impairment of other assets | (722) | (484) |
| 3 | Total other assets | 117 345 | 30 960 |

Information in Note 11 and Table 11.1, Line 3 is used for the purposes of the statement of financial position (the balance sheet).

Other assets of the Bank do not contain significant financing component; so, ECL are recognized during the life of an asset irrespective of asset quality, i.e. analysis of changes in credit risk and determination of impairment stage are not necessary.

Table 11.2 Analysis of changes in loss allowances for expected credit losses for other financial assets

| | | UAH'000 | | |
|----------|---|------------------|------------------------|------------------|
| Line | Changes | Restricted cash | Other financial assets | Total |
| 1 | Balance as at 01.01.2019 | (214 295) | (530) | (214 825) |
| 2 | (Increase)/decrease of allowances for expected credit losses for other financial assets in 2019 | 939 | (79) | 860 |
| 3 | Balance as at 31.12.2019 | (213 356) | (609) | (213 965) |
| 4 | (Increase)/decrease of allowances for expected credit losses for other financial assets in 2020 | (323) | (851) | (1 174) |
| 5 | Balance as at 31.12.2020 | (213 679) | (1 460) | (215 139) |

Table 11.4 Credit quality analysis of other financial assets as at 31.12.2020

| | | | | | UAH'000 |
|------|---|---|-----------------|------------------------|-----------|
| Line | Item | Receivables for transactions with payment cards | Restricted cash | Other financial assets | Total |
| 1 | Neither past due nor impaired | 2 848 | - | - | 2 848 |
| 2 | Individually impaired debt overdue for | - | 211 855 | 870 | 212 725 |
| 2.1 | less than 31 days | - | - | 62 | 62 |
| 2.2 | 32-92 days | - | - | 57 | 57 |
| 2.3 | 93-183 days | - | - | 54 | 54 |
| 2.4 | 184-365 (366) days | - | - | 112 | 112 |
| 2.5 | over 366 (367) days | - | 211 855 | 585 | 212 440 |
| 3 | Individually impaired debt not overdue | - | 111 696 | 1 208 | 112 904 |
| 4 | Total other financial assets | 2 848 | 323 551 | 2 078 | 328 477 |
| 5 | Allowances for expected credit losses for other financial assets | - | (213 679) | (1 460) | (215 139) |
| 6 | Total other financial assets less allowances for expected credit losses | 2 848 | 109 872 | 618 | 113 338 |

Table 11.5 Credit quality analysis of other financial assets as at 31.12.2019

| | | | | | UAH'000 |
|------|---|---|-----------------|------------------------|-----------|
| Line | Item | Receivables for transactions with payment cards | Restricted cash | Other financial assets | Total |
| 1 | Neither past due nor impaired | 1 507 | - | 4 | 1 511 |
| 2 | Individually impaired debt overdue for | - | 211 855 | 498 | 212 353 |
| 2.1 | less than 31 days | - | - | 35 | 35 |
| 2.2 | 32-92 days | - | - | 51 | 51 |
| 2.3 | 93-183 days | - | - | 54 | 54 |
| 2.4 | 184-365 (366) days | - | - | 119 | 119 |
| 2.5 | over 366 (367) days | - | 211 855 | 239 | 212 094 |
| 3 | Individually impaired debt not overdue | - | 24 011 | 132 | 24 143 |
| 4 | Total other financial assets | 1 507 | 235 866 | 634 | 238 007 |
| 5 | Allowances for expected credit losses for other financial assets | - | (213 356) | (609) | (213 965) |
| 6 | Total other financial assets less allowances for expected credit losses | 1 507 | 22 510 | 25 | 24 042 |

Table 11.6 Analysis of changes in allowances for impairment for other assets

| Line | Changes | UAH'000 | |
|------|--|----------------------------------|--------------------------|
| | | Receivables under asset sales | Advances for services |
| 1 | Balance as at 01.01.2019 | (52) | (225) |
| 2 | Decrease/increase of allowances for impairment during the period | 52 | (259) |
| 3 | Balance as at 31.12.2019 | - | (484) |
| 2 | Decrease/increase of allowances for impairment during the period | (361) | 123 |
| 3 | Balance as at 31.12.2020 | (361) | (361) |

Note 12. Due to banks

Table 12.1 Due to banks

| Line | Item | UAH'000 | |
|------|---------------------------------|----------------|------------|
| | | 31.12.2020 | 31.12.2019 |
| 1 | Due to National Bank of Ukraine | 150 000 | - |
| 2 | Total due to banks | 150 000 | |

Information in Note 12 and Table 12.1, line 2 is used for the purposes of the statement of financial position (the balance sheet).

The Bank pledged the following pool of assets to National Bank of Ukraine as collateral:

- Government bond UA4000204069 – UAH 14 507 550,00
- Government bond UA4000207898 – UAH 42 886 665,00
- Government bond UA4000213219 – UAH 48 901 500,00
- Foreign currency - USD 1 965 000,00 placed by the Bank in National Bank of Ukraine as interest-free guarantee deposit.

Note 13. Amounts due to customers

Table 13.1 Amounts due to customers

| Line | Item | UAH'000 | |
|------|---------------------------------------|------------------|------------------|
| | | 31.12.2020 | 31.12.2019 |
| 1 | Other legal entities | 921 251 | 921 705 |
| 1.1 | Current accounts | 575 422 | 760 421 |
| 1.2 | Term deposits | 345 829 | 161 284 |
| 2 | Individuals | 1 172 849 | 678 196 |
| 2.1 | Current accounts | 719 151 | 377 231 |
| 2.2 | Term deposits | 453 698 | 300 965 |
| 3 | Total amounts due to customers | 2 094 100 | 1 599 901 |

Information in Note 13, table 13.1, line 4 is used for the purposes of the statement of financial position (the balance sheet).

Table 13.2 Amounts due to customers by economic sectors

| | | UAH'000 | | | |
|------|--|------------------|-------------|------------------|-------------|
| Line | Economic sector | 31.12.2020 | | 31.12.2019 | |
| 1 | Public sector | - | - | - | - |
| 2 | Production and distribution of electricity, gas and water | 193 663 | 9,25% | 452 785 | 28,30% |
| 3 | Real estate transactions, lease, engineering and provision of services | 27 842 | 1,33% | 9 254 | 0,58% |
| 4 | Trade, car repairs, domestic appliances and personal appliances | 140 921 | 6,73% | 97 239 | 6,08% |
| 5 | Agriculture, hunting and forestry | 15 083 | 0,72% | 9 641 | 0,60% |
| 6 | Individuals | 1 198 450 | 57,23% | 684 171 | 42,76% |
| 7 | Other, including: | 518 141 | 24,74% | 346 811 | 21,68% |
| | Production of chemicals | 57 390 | 2,74% | 8 361 | 0,52% |
| | Architecture and engineering; testing and research. R&D. Advertising and market studies. Other professional, research and technical activities | 9 336 | 0,45% | 2 121 | 0,13% |
| | Construction of buildings and facilities, specialized construction | 113 403 | 5,41% | - | - |
| | Financial services, insurance, related financial services and insurance | 196 296 | 9,37% | 135 471 | 8,47% |
| | Production of machinery and tools, other vehicles, repair and installation of machines and equipment | 44 979 | 2,15% | 60 595 | 3,79% |
| | Law and accounting | 7 055 | 0,34% | 9 402 | 0,59% |
| | Soft drinks, textiles, production of dress, hide processing, production of goods from leather and other materials | 1 981 | 0,09% | 27 515 | 1,72% |
| | Warehousing and auxiliary transportation-related services | 5 136 | 0,25% | 28 789 | 1,80% |
| | Software development, consulting and related activities | 20 272 | 0,97% | 25 381 | 1,59% |
| | Administrative and auxiliary office services, other auxiliary services | 7 398 | 0,35% | 12 135 | 0,76% |
| 8 | Total due to customers | 2 094 100 | 100% | 1 599 901 | 100% |

Note 14 Provisions for liabilities

Table 14.1 Changes in provisions for liabilities in 2020

| | | UAH'000 | |
|------|---|------------------------------|--------------|
| Line | Changes | Liabilities of credit nature | Total |
| 1 | Balance as at January 1, 2020 | 522 | 522 |
| 2 | Provision | 2 775 | 2 775 |
| 3 | Commission fee received under guarantees issued | 2 020 | 2 020 |
| 4 | Amortization of commission fee under guarantees issued, disclosed in Profit and Loss and Other Comprehensive Income Statement | (2 020) | (2 020) |
| 5 | Balance as at December 31, 2020 | 3 297 | 3 297 |

Information in Note 14, table 14.1, line 5 is used for the purposes of the statement of financial position (the balance sheet).

Table 14.2 Changes in provisions for liabilities in 2019

| | | UAH'000 | |
|----------|---|------------------------------|------------|
| Line | Changes | Liabilities of credit nature | Total |
| 1 | Balance as at January 1, 2019 | 27 | 27 |
| 2 | Provision | 495 | 495 |
| 3 | Commission fee received under guarantees issued | 5 920 | 5 920 |
| 4 | Amortization of commission fee under guarantees issued, disclosed in Profit and Loss and Other Comprehensive Income Statement | (5 920) | (5 920) |
| 5 | Balance as at December 31, 2019 | 522 | 522 |

Information in Note 14, table 14.2, line 5 is used for the purposes of the statement of financial position (the balance sheet).

Note 15. Other liabilities

| | | UAH'000 | |
|----------|--|---------------|---------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Other financial liabilities | 8 274 | 5 284 |
| 1.1 | Lease-related liabilities * | 2 477 | 4 138 |
| 1.2 | Payables under pay-cards transactions | 4 868 | |
| 1.3 | Other financial liabilities | 929 | 1 143 |
| 1.4 | Derivative financial liabilities in trade portfolio | - | 3 |
| 2 | Other liabilities | 14 541 | 15 133 |
| 2.1 | Payables under taxes and dues, except for corporate income tax | 883 | 1 136 |
| 2.2 | Payables under due to Deposit Guarantee Fund | 2 076 | 1 267 |
| 2.3 | Payables to Bank employees | 6 823 | 5 775 |
| 2.4 | Payables under asset purchase/sales | 552 | 5 325 |
| 2.5 | Deferred income | 4 202 | 1 342 |
| 2.6 | Other payables | 5 | 288 |
| 3 | Total other liabilities | 22 815 | 20 417 |

Information in Note 15, line 3 is used for the purposes of the statement of financial position (the balance sheet).

* Disclosure of lease-related liabilities by maturity:

| | | UAH'000 | |
|------|---------------------------------|------------|------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Up to 1 year | 2 204 | 2 235 |
| 2 | 1 - 5 years | 273 | 1 903 |
| 3 | Over 5 years | | - |
| 4 | Total lease-related liabilities | 2 477 | 4 138 |

Interest expenses under lease-related liabilities are disclosed in the Note 19 to the financial statements, being equal to UAH 467 thousand.

Expenses, related to lease of low-value assets, are presented in Table 22.3 of Note 22, being equal to UAH 177 thousand.

The Bank does not have short-term lease contracts.

There was no decrease of lease payments, caused by COVID-19 pandemics, in 2020.

Note 16. Share capital and share premium

| | | | | UAH'000 |
|------|---|--------------------------------|---------------------------------|----------------|
| Line | Item | Shares outstanding (thousands) | Ordinary shares (UAH thousands) | Total |
| 1 | Opening balance as at 01.01.2019 | 48,173 | 510 393 | 510 393 |
| 2 | Closing balance of the previous period (opening balance of reporting period) - 31.12.2019 | 48,173 | 510 393 | 510 393 |
| 3 | Closing balance of reporting period - 31.12.2020 | 48,173 | 510 393 | 510 393 |

Information in Note 16, Line 3 is used for the purposes of the statement of financial position (the balance sheet) and the statement of changes in equity.

- a) no shares declared for issue;
- b) no shares issued and paid or issued and partially paid;
- c) face value of a share as at 01.01.2019 is UAH 10,595.00 (ten thousand five hundred and ninety-five);
- d) face value of a share as at 31.12.2019 is UAH 10,595.00 (ten thousand five hundred and ninety-five).
- e) face value of a share as at 31.12.2020 is UAH 10,595.00 (ten thousand five hundred and ninety-five).
- f) all shareholders of the Bank have the same rights and privileges, and there are no restrictions;
- g) there are no shares reserved for issue under options and sale contracts.

Profit from the Bank's operations in 2019 in the amount of UAH 34 741 thousand was used to cover losses of previous periods.

Note 17. Changes of revaluation reserves (components of other comprehensive income)

| | | | UAH'000 |
|------|--|---------------|---------------|
| Line | Item | 2020 | 2019 |
| 1 | Opening balance | 64 165 | 63 389 |
| 2 | Revaluation of investment debt securities disclosed at fair value through other comprehensive income | (616) | 945 |
| 2.1 | Revaluation to fair value | (616) | 945 |

| Line | Item | 2020 | 2019 |
|----------|--|---------------|---------------|
| 2.2 | Sales income (expenses), reclassified into profit or loss in the reporting period | - | - |
| 3 | Revaluation of fixed and intangible assets | 23 712 | - |
| 3.1 | Revaluation to fair value | 23 712 | - |
| 4. | Realized revaluation, disclosed in retained earning | (4 158) | (169) |
| 4.1 | Income tax, related to: | 110 | (169) |
| 4.2 | Change of reserve for investment debt securities, disclosed at fair value through other comprehensive income | (4 268) | - |
| 5 | Change of reserve for revaluation of fixed and intangible assets | 18 938 | 776 |
| 6 | Total changes of revaluation reserves (other comprehensive income) less income tax | 83 103 | 64 165 |

Information in Note 17, Line 6 is used for the purposes of the statement of financial position (the balance sheet).

Note 18. Maturity analysis of assets and liabilities

UAH'000

| Line | Item | Note | 31.12.2020 | | | 31.12.2019 | | |
|------|--|------|------------------|----------------|------------------|------------------|----------------|------------------|
| | | | < 12 months | > 12 months | Total | < 12 months | > 12 months | Total |
| | ASSETS | | | | | | | |
| 1 | Cash and cash equivalent | 5 | 371 256 | 1 148 | 372 404 | 178 885 | 13 213 | 192 098 |
| 2 | Loans and due from banks | 6 | - | - | - | - | 12 387 | 12 387 |
| 3 | Loans and advances to customers | 7 | 1 250 172 | 52 991 | 1 303 163 | 657 939 | 43 371 | 701 310 |
| 4 | Investment debt securities, disclosed at fair value through other comprehensive income | 8 | 624 284 | - | 624 284 | 585 397 | - | 585 397 |
| 5 | Investment debt securities disclosed at amortized cost | 8 | - | - | - | 111 140 | - | 111 140 |
| 6 | Investment property | 9 | - | 291 186 | 291 186 | - | 376 990 | 376 990 |
| 7 | Current income tax receivables | | 11 073 | - | 11 073 | 11 073 | - | 11 073 |
| 8 | Deferred tax assets | 22 | - | 40 063 | 40 063 | - | 53 271 | 53 271 |
| 9 | Fixed and intangible assets | 10 | - | 128 609 | 128 609 | - | 103 432 | 103 432 |
| 10 | Right of use assets | 10 | - | 2 333 | 2 333 | - | 3 913 | 3 913 |
| 11 | Other financial assets | 11 | 109 432 | 3 906 | 113 338 | 14 103 | 9 939 | 24 042 |
| 12 | Other assets | 11 | 4 007 | - | 4 007 | 6 918 | - | 6 918 |
| 13 | Total assets | | 2 370 224 | 520 236 | 2 890 460 | 1 565 455 | 616 516 | 2 181 971 |
| | LIABILITIES | | | | | | | |
| 14 | Due to banks | 12 | 150 000 | - | 150 000 | - | - | - |
| 15 | Due to customers | 13 | 2 066 516 | 27 584 | 2 094 100 | 1 551 313 | 48 588 | 1 599 901 |

| Line | Item | Note | 31.12.2020 | | | 31.12.2019 | | |
|-----------|-----------------------------|------|------------------|---------------|------------------|------------------|---------------|------------------|
| | | | < 12 months | > 12 months | Total | < 12 months | > 12 months | Total |
| 16 | Provisions for liabilities | 14 | 3 297 | - | 3 297 | 522 | - | 522 |
| 17 | Other financial liabilities | 15 | 8 274 | - | 8 274 | 5 284 | - | 5 284 |
| 18 | Other liabilities | 15 | 7 858 | 6 683 | 14 541 | 4 383 | 10 750 | 15 133 |
| 19 | Total liabilities | | 2 235 945 | 34 267 | 2 270 212 | 1 561 502 | 59 338 | 1 620 840 |

Note 19. Interest income and expense

| | | UAH'000 | |
|--|--|-----------------|-----------------|
| Line | Item | 2020 | 2019 |
| Interest income on financial assets at amortized cost | | | |
| 1 | Loans and advances to customers | 158 985 | 117 391 |
| 2 | Debt securities measured at amortized cost | 3 912 | 15 168 |
| 3 | Due from other banks | 2 788 | 11 401 |
| 4 | Correspondent accounts with other banks | 122 | 1 814 |
| 5 | Interest income under impaired financial assets | 11 612 | 13 503 |
| 6 | Total interest income for financial assets, disclosed at amortized cost | 177 419 | 159 277 |
| Interest income on financial assets measured at fair value through other comprehensive income | | | |
| 7 | Debt securities disclosed at fair value through other comprehensive income | 29 067 | 45 385 |
| 8 | Total interest income for financial assets, disclosed at fair value through other comprehensive income | 29 067 | 45 385 |
| 9 | Total interest income | 206 486 | 204 662 |
| Interest expense on financial liabilities at amortized cost | | | |
| 10 | Corporate term deposits | (10 142) | (17 757) |
| 11 | Debt securities in issue | | |
| 12 | Lease-related liabilities | (467) | (660) |
| 13 | Term deposits of individuals | (25 631) | (17 008) |
| 14 | Term deposits of other banks | (1 673) | (6) |
| 15 | Current accounts | (33 161) | (51 057) |
| 16 | Total interest expense | (71 074) | (86 488) |
| 17 | Net interest income | 135 412 | 118 174 |

Information in Note 19, lines 9 and 16, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 20. Commission income and expense

| | | UAH'000 | |
|---------------------------|---|-----------------|-----------------|
| Line | Item | 2020 | 2019 |
| Commission income | | | |
| 1 | Settlement and cash transactions | 56 345 | 50 938 |
| 2 | Collection | 92 | 138 |
| 3 | Securities transactions | 2 122 | 1 881 |
| 4 | Other | 13 210 | 10 932 |
| 5 | Fiduciary management transactions | 24 | 29 |
| 6 | Guarantees issued | 6 079 | 2 037 |
| 7 | Total fee and commission income | 77 872 | 65 955 |
| Commission expense | | | |
| 8 | Settlement and cash transactions | (11 622) | (10 666) |
| 9 | Other | (1 348) | - |
| 10 | Total fee and commission expense | (12 970) | (10 666) |
| 11 | Net fee and commission income | 64 902 | 55 289 |

Information in Note 20, Lines 7 and 10, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 21. Other operating income

| | | UAH'000 | |
|----------|---|--------------|---------------|
| Line | Item | 2020 | 2019 |
| 1 | Operational lease income | 4 842 | 5 361 |
| 2 | Sub-lease income | 14 | 52 |
| 3 | Gain on disposal of property, equipment and intangible assets | 248 | 869 |
| 4 | Other* | 254 | 4 164 |
| 5 | Total operating income | 5 358 | 10 446 |

Information in Note 21, Line 5, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

*Details of line 4 for the reporting period:

| Item no. | Account | 2020 |
|----------|--|------|
| 1 | Penalties and fines received by the Bank | 13 |
| 2 | Income from compensation of refund value of keys | 10 |
| 3 | Income from making entries to and obtaining extracts from the State Registry on Encumbrances of Movable Property | 43 |
| 4 | Income from compensation of utilities cost | 3 |
| 5 | Fee for attraction of customers and clients | 18 |
| 6 | Income from payment card transactions after the protest term expiry | 25 |
| 7 | Sale of land plots | 101 |
| 8 | Return of advance payment for court enforcement action | 8 |
| 9 | Other | 33 |
| 10 | Total: | 254 |

* Details of line 4 for the previous period:

| Item no. | Account | 2019 |
|----------|--|------|
| 1 | Penalties and fines received by the Bank | 19 |
| 2 | Income from compensation of refund value of keys | 14 |

| | | |
|----|--|-------|
| 3 | Income from making entries to and obtaining extracts from the State Registry on Encumbrances of Movable Property | 48 |
| 4 | Income from compensation of utilities cost | 9 |
| 5 | Repayment of bad loans previously written-off | 3 020 |
| 6 | Compensation of expenses, related to system of land tenure | 275 |
| 7 | Fee for attraction of customers and clients | 55 |
| 8 | Income from payment card transactions after the protest term expiry | 16 |
| 9 | Sale of land plots | 459 |
| 10 | Insurance paid | 146 |
| 11 | Return of advance payment for court enforcement action | 48 |
| 12 | Other | 55 |
| 13 | Total: | 4 164 |

Note 22. Administrative and other operating expenses

Table 22.1 Expenses and payments to employees

| | | UAH'000 | |
|------|-----------------------------|----------|----------|
| Line | Item | 2020 | 2019 |
| 1 | Salaries and bonuses | (74 024) | (60 567) |
| 2 | Payroll charges | (14 553) | (11 980) |
| 3 | Other payments to employees | (669) | (394) |
| 4 | Total personnel costs | (89 246) | (72 941) |

Information in Table 22.1, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 22.2 Depreciation and amortization charges

| | | UAH'000 | |
|------|--|---------|---------|
| Line | Item | 2020 | 2019 |
| 1 | Depreciation of fixed assets | (5 908) | (4 804) |
| 2 | Amortization of software and intangible assets | (975) | (837) |
| 3 | Depreciation of the right-of-use | (2 087) | (1 904) |
| 4 | Total depreciation and amortization charges | (8 970) | (7 545) |

Information in Table 22.2, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 22.3 Other administrative and operating expenses

| | | UAH'000 | |
|------|---|-----------------|-----------------|
| Line | Item | 2020 | 2019 |
| 1 | Cost of maintenance of fixed and intangible assets, telecommunications and other related services | (27 910) | (27 525) |
| 2 | Operating lease expenses | (177) | (163) |
| 3 | Other fixed-assets related expenses | | |
| 4 | Professional services | (625) | (1 664) |
| 5 | Marketing and promotion | (2 325) | (2 859) |
| 6 | Insurance expenses | (5 664) | (5 630) |
| 7 | Other taxes and dues, excluding income tax | (8 136) | (5 848) |
| 8 | Other* | (6 978) | (6 142) |
| 9 | Total administrative and other operating expenses | (51 815) | (49 831) |

Information in Table 22.3, line 9, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

* Details of line 8 for the reporting period:

| Item no. | Item | 2020 |
|----------|--|---------|
| 1 | Cost of collection and transportation of cash | (221) |
| 2 | Cost of consulting services | (1 345) |
| 3 | Fines and penalties paid | (9) |
| 4 | Travel expenses | (39) |
| 5 | Entertainment expenses | (583) |
| 6 | Legal costs | (62) |
| 7 | Cost of IT security testing | (384) |
| 8 | Membership dues | (199) |
| 9 | Depository services | (399) |
| 10 | Cost of search of buyers for a property object | (2 043) |
| 11 | Cost of transaction's settlements | (286) |
| 12 | Head hunting costs | (281) |
| 13 | Other | (1 127) |
| 14 | Total: | (6 978) |

* Details of line 8 for the previous period:

| Item no. | Account | 2019 |
|----------|--|---------|
| 1 | Cost of collection and transportation of cash | (310) |
| 2 | Cost of consulting services | (194) |
| 3 | Fines and penalties paid | (204) |
| 4 | Travel expenses | (118) |
| 5 | Advertising, entertainment expenses | (1 411) |
| 6 | Sponsorship and charity | (381) |
| 7 | Legal costs | (506) |
| 8 | Expenses, related to system of land tenure | (460) |
| 9 | Cost of IT security testing | (140) |
| 10 | Membership fees | (144) |
| 11 | Depository services | (299) |
| 12 | Cost of search of buyers for a property object | (792) |
| 13 | Cost of transaction's settlements | (190) |
| 14 | Other | (993) |
| 15 | Total: | (6 142) |

Note 23. Income tax expenses

Table 23.1. Income tax expenses

| | | UAH'000 | |
|----------|----------------------------------|----------------|---------------|
| Line | Item | 2020 | 2019 |
| 1 | Current income tax | - | - |
| 2 | Changes of deferred income tax | (9 050) | 31 204 |
| 3 | Total income tax expenses | (9 050) | 31 204 |

Information in Note 23, line 3, is used for the purpose of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Table 23.2. Reconciliation of accounting profit (loss) and taxable profit (loss)

| | | UAH'000 | |
|---|---|----------------|---------------|
| Line | Item | 2020 | 2019 |
| 1 | Profit before income tax | 49 229 | 3 537 |
| 2 | Theoretical tax charge at the applicable statutory rate | (8 861) | (637) |
| Adjustments of accounting profit (loss) | | | |
| 3 | Non-deductible expenses recognized in statutory accounting (to be specified) | (594) | (112) |
| 3.1 | Adjustment of provision | (499) | (89) |
| 3.2 | Non-deductible depreciation and amortization | (95) | (23) |
| 4 | Deductible expenses not recognized in accounting (to be specified) | 405 | 31 953 |
| 4.1 | 4/8 of excess of provision over limit, calculated in line with Tax Code, as at 01.01.2018 | - | 32 749 |
| 4.2 | Partial 2019 loss carry forward to decrease 2020 results | 405 | - |
| 4.3 | Partial 2018 loss carry forward to decrease 2019 results | - | (796) |
| 5 | Other adjustments | - | - |
| 6 | Income tax expenses | (9 050) | 31 204 |

Table 23.3 Tax implications of deferred tax asset and deferred tax liability recognition in 2020

| | | UAH'000 | | | |
|------|--|--------------------------|---------------------------|--|--------------------------|
| Line | Item | Balance as at 01.01.2020 | Recognized in profit/loss | Recognized in other comprehensive income | Balance as at 31.12.2020 |
| 1 | Tax implications of temporary differences that reduce (increase) taxation and tax losses carried forward | 53 271 | (9 050) | (4 158) | 40 063 |
| 1.1 | Fixed assets | (3 323) | 405 | (4 268) | (7 186) |
| 1.2 | Tax loss carry forward | 56 707 | (9 455) | - | 47 252 |
| 1.3 | Securities revaluation | (113) | | 110 | (3) |
| 2. | Net deferred tax assets (liabilities) | 53 271 | (9 050) | (4 158) | 40 063 |
| 3. | Deferred tax assets recognized | 56 707 | (9 455) | - | 47 252 |
| 4. | Deferred tax liabilities recognized | (3 436) | 405 | (4 158) | (7 189) |

Table 23.4 Tax implications of deferred tax asset and deferred tax liability recognition in 2019

| | | UAH'000 | | | |
|------|--|--------------------------|---------------------------|--|--------------------------|
| Line | Item | Balance as at 01.01.2019 | Recognized in profit/loss | Recognized in other comprehensive income | Balance as at 31.12.2019 |
| 1 | Tax implications of temporary differences that reduce (increase) | 22 236 | 31 204 | (169) | 53 271 |

| | | | | | |
|-----------|--|---------------|---------------|--------------|---------------|
| | taxation and tax losses carried forward | | | | |
| 1.1 | Fixed assets | (3 032) | (291) | - | (3 323) |
| 1.2 | Tax loss carry forward | 25 212 | 31 495 | - | 56 707 |
| 1.3 | Securities revaluation | 56 | | (169) | (113) |
| 2. | Net deferred tax assets (liabilities) | 22 236 | 31 204 | (169) | 53 271 |
| 3. | Deferred tax assets recognized | 25 523 | 31 240 | (56) | 56 707 |
| 4. | Deferred tax liabilities recognized | (3 287) | (36) | (113) | (3 436) |

Note 24. Earnings per share

| | | UAH'000 | |
|----------|--|---------------|---------------|
| Line | Item | 2020 | 2019 |
| 1 | Profit/(loss) that attributable to ordinary equity holders of the Bank | 40 178 | 34 741 |
| 2 | Profit/(loss) for the year | 40 178 | 34 741 |
| 3 | Weighted average number of ordinary shares outstanding during the period (thousands) | 48,173 | 48,173 |
| 4 | Net basic and diluted earnings per share, UAH | 834,04 | 721,17 |

Information in Note 24, line 4, is used for the purposes of the Statement of Profit and Loss and Other Comprehensive Income (statement of financial performance).

Note 25. Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (the Board of the Bank), and for which discrete financial information is available.

The Bank identified three operational segments for management purposes:

- **Corporate customers:** crediting, deposit and current account services to corporate customers.
- **Retail customers and SME:** deposit servicing, crediting, payment card servicing, cash transfers and cash and settlement services for individuals and small and medium-sized entities.
- **Centralized, treasury transactions and unallocated items:** this segment includes trade in financial instruments, capital market transactions, transactions in foreign currencies and with banknotes, correspondent relations with the NBU and other banks, property and equipment, deferred tax assets, prepayments, accounts receivable and payable related to the business and administrative operations.

Inter-segment transactions are performed at general commercial terms. Cash is redistributed to segments resulting in transfer income and expenses included into operating income (see the *Elimination* column in *Interest income* and *Interest expenses*). Interest charged on these funds is determined in accordance with the Bank financing costs computation. Adjustments for internal settlements and transfer pricing were included in each segment's results. There are no other significant inter-segment income or expenses.

Administrative and other operating expenses for each segment include direct costs of this segment and indirect costs allocated. For the purposes of management decisions, the results of the segments are assessed using various performance indicators, including profit before tax.

Management monitors the performance of each segment to make managerial decisions on the allocation of resources and to assess its operating results. Management inspects financial information regarding each operational segment, including assessment of operating results, assets and liabilities.

The Bank has no revenue from a single customer that comprises more than 10% of its total revenue.

Table 25.1 Income, expense and financial results of reporting segments in 2020

| | | | | | | UAH'000 |
|-----------|---|--------------------|----------------------------------|--|-------------|---------------|
| Line | Item | Corporate business | Reporting segments | | Elimination | Total |
| | | | Services to individuals and SMEs | Centralized, treasury transactions and unallocated items | | |
| 1 | Interest income | 204 222 | 97 881 | 196 150 | (291 767) | 206 486 |
| 2 | Fee and commission income | 27 684 | 49 992 | 196 | - | 77 872 |
| 3 | Other operating income | 113 | 2 198 | 3 047 | - | 5 358 |
| 4 | Total segments income | 232 019 | 150 071 | 199 393 | (291 767) | 289 716 |
| 5 | Interest expense | (155 703) | (50 335) | (156 803) | 291 767 | (71 074) |
| 6 | Fee and commission expense | (54) | (9 061) | (3 855) | - | (12 970) |
| 7 | Net profit (loss) from transactions with financial instruments disclosed at fair value through profit or loss | - | - | 3 667 | - | 3 667 |
| 8 | Net income (loss) from transactions with debt financial instruments, disclosed at fair value through other comprehensive income | - | - | 2 644 | - | 2 644 |
| 9 | Net gain (loss) from foreign currency transactions | - | 4 704 | (1 820) | - | 2 884 |
| 10 | Net gain (loss) from foreign currency revaluation | - | - | 9 271 | - | 9 271 |
| 11 | Net income (loss) from investment property revaluation | - | - | (6 039) | - | (6 039) |
| 12 | Administrative and other operating expenses | (36 555) | (67 281) | (46 195) | - | (150 031) |
| 13 | Operating income of segments | 39 707 | 28 098 | 263 | - | 68 068 |
| 14 | Net gain / (loss) from decrease / (increase) in loss allowances for financial assets | (13 835) | (12 277) | 10 048 | - | (16 064) |
| 15 | Net (increase)/decrease of provision for liabilities | (2 775) | - | - | - | (2 775) |
| 16 | Income/(loss) before taxes | 23 097 | 15 821 | 10 311 | - | 49 229 |

Table 25.2 Assets and liabilities of reporting segments as at 31.12.2020

| | | | | | UAH'000 |
|------|-------------------------------|--------------------|----------------------------------|--|------------------|
| Line | Item | Corporate business | Reporting segments | | Total |
| | | | Services to individuals and SMEs | Centralized, treasury transactions and unallocated items | |
| 1 | Segment assets | 1 187 850 | 115 931 | 1 586 679 | 2 890 460 |
| 2 | Total assets | 1 187 850 | 115 931 | 1 586 679 | 2 890 460 |
| 3 | Segment liabilities | 783 120 | 1 312 958 | 174 134 | 2 270 212 |
| 4 | Total liabilities | 783 120 | 1 312 958 | 174 134 | 2 270 212 |
| 5 | Capital investments | - | - | 12 923 | 12 923 |
| 6 | Depreciation and amortization | - | - | (8 970) | (8 970) |

Table 25.3 Income, expense and financial results of reporting segments in 2019

| | | | | | | UAH'000 |
|----------|--|-----------------------|--|---------------|-----------|-----------------------|
| Lin e | Item | Corporate business | Reporting segments | | Item | Corporate business |
| | | | Services to individuals and SMEs | Line | | |
| 1 | Interest income | 207 654 | 72 616 | 245 039 | (320 647) | 204 662 |
| 2 | Fee and commission income | 22 195 | 43 631 | 129 | - | 65 955 |
| 3 | Other operating income | 124 | 5 160 | 5 162 | - | 10 446 |
| 4 | Total segments income | 229 973 | 121 407 | 250 330 | (320 647) | 281 064 |
| 5 | Interest expense | (174 145) | (34 856) | (198 134) | 320 647 | (86 488) |
| 6 | Fee and commission expense | (34) | (7 426) | (3 206) | - | (10 666) |
| 7 | Net profit (loss) from transactions with financial instruments disclosed at fair value through profit or loss | | | (1 277) | - | (1 277) |
| 8 | Net income (loss) from transactions with debt financial instruments, disclosed at fair value through other comprehensive income | | | 768 | - | 768 |
| 9 | Net gain (loss) from foreign currency transactions | | 1 613 | 8 674 | - | 10 287 |
| 10 | Net gain (loss) from foreign currency revaluation | | | (1 396) | - | (1 396) |
| 11 | Net income (loss) from investment property revaluation | | | (3 277) | - | (3 277) |
| 12 | Administrative and other operating expenses | (35 800) | (54 895) | (39 622) | - | (130 317) |
| 13 | Operating income of segments | 19 994 | 25 843 | 12 860 | - | 58 697 |
| 14 | Net gain / (loss) from decrease / (increase) in loss | (68 951) | (9 316) | 23 602 | - | (54 665) |

| Line | Item | Corporate business | Reporting segments | | Item | Corporate business |
|-----------|--|--------------------|----------------------------------|---------------|----------|--------------------|
| | | | Services to individuals and SMEs | Line | | |
| | allowances for financial assets | | | | | |
| 15 | Net (increase)/decrease of provision for liabilities | (495) | - | - | - | (495) |
| 16 | Income/(loss) before taxes | (49 452) | 16 527 | 36 462 | - | 3 537 |

Table 25.4 Assets and liabilities of reporting segments as at 31.12.2019

| UAH'000 | | | | | |
|----------|-------------------------------|--------------------|----------------------------------|------------------|------------------|
| Line | Item | Corporate business | Reporting segments | | Item |
| | | | Services to individuals and SMEs | Line | |
| 1 | Segment assets | 645 439 | 55 884 | 1 480 648 | 2 181 971 |
| 2 | Total assets | 645 439 | 55 884 | 1 480 648 | 2 181 971 |
| 3 | Segment liabilities | 848 318 | 742 545 | 29 977 | 1 620 840 |
| 4 | Total liabilities | 848 318 | 742 545 | 29 977 | 1 620 840 |
| 5 | Capital investments | - | - | 16 797 | 16 797 |
| 6 | Depreciation and amortization | - | - | (7 545) | (7 545) |

Note 26. Financial risk management

Credit risk

Credit risk is assessed at two levels: at the individual level, i.e. at the level of a particular borrower, and at the portfolio level based on a total debt of the Bank for transactions with inherent credit risk. The main credit risk management procedures include detection, identification, assessment (including the assessment of the capital adequacy to cover credit risk), monitoring, provisioning, setting limits, diversification, control and development of preventive measures. The Bank manages the customer risk as:

- pre-settlement risk, as it changes depending on changes of fair value of an instrument, creating this risk for the Bank;
- settlement risk.

The Bank manages pre-settlement risk by establishment of limits for a counterpart and their control, and development of procedures in case of default of a counterpart under the contract. The Bank reduced pre-settlement risk by:

- implementation of safety margin;
- receipt of counterpart's collateral for the amount of possible pre-settlement risk;
- inclusion of provisions into a contract regarding the right of the Bank to unilateral pre-term termination of a contract without fines or penalties in case of inadequate collateral compared to pre-settlement risk;
- entering into contract on netting of counterclaims.

To evade settlement risk, the Bank has a right to enter into contracts under the terms of prepayments or advance supply by a counterpart, or supply against payment to central counterpart.

Quantitative parameters for identification and controlling of credit risks are:

- maximum credit risk exposure per counterparty limit (H7);

- large credit risks limit (H8);
- limit of maximum credit risk exposure in related party transactions (H9);
- non-performing assets (net of allowances for impairment) to total assets ratio;
- loan loss allowances due from customers ratio.

As at 31.12.2020, the Bank complied with prudential requirements of NBU regarding credit risks (H7, H8, H9 limits are complied with).

The Bank uses the following quantitative indices of risk appetite to credit risk:

- maximum growth of credit portfolio in present of its size as at the beginning of the year;
- maximal debt of a single debtor / group of related counterparts as percent of total loan portfolio and share capital of the Bank;
- maximal scope of industry and geographic concentration of loan portfolio as percent of total loan portfolio;
- maximal scope of credit products portfolio as percent of total loan portfolio;
- maximal scope of non-performing assets as percent of respective loan portfolio.

The bank sets the credit risk limits regarding:

- powers of Credit committee of the Bank on approval of credit decisions for loan portfolio in general and for a single debtor or group of related counterparts;
- single debtors and groups of related counterparts;
- risk of concentration (maximal debt) per single debtor or group of related counterparts, debtors of common type of business and debtors of same geographical region;
- risk of a counterpart by each one;
- maximal scope of pledged assets, which may be collected by the bank, if the bank realizes its rights as holder of pledge.

When approving decision on crediting, the bank analyses information and assesses the risk, taking into account the following factors:

- purpose of loan and sources of repayment;
- credit history and current solvency of a debtor, based on financial trends of previous periods and forecast of cash flows for different scenarios;
- viability of business model of a debtor – legal entity, private entrepreneur and availability of their competence and resources for its implementation;
- behavioural model of debtors – natural persons (applicational, behavioural scoring);
- practical business experience of a debtor, situation in the industry where the debtor operates, debtor's position, markets for sales of products / services, produced or offered by debtor, and debtor's competitiveness;
- acceptability and adequacy of pledge, possibility to sell it;
- additional terms of a loan contract, aimed at limitation of credit risk growth in future;
- assumptions on the size of loan allowances to be established for ECL and scope of credit risk as at the moment of issuance of credit;
- debtor's reputation and ability / readiness to undertake legal obligations and cooperate with the bank regarding any matter that may arise during the crediting period;
- structure of group of related counterparts, credit history and current solvency of these counterparts;
- decisions of persons, controlling the legal entity, on getting a credit, their powers as to making such decision;
- soundness and adequacy of legal position of the bank regarding terms of a loan contract, pledge / collateral contracts to provide for proper cooperation with debtors / counterparts / pledgers.

The bank has a low risk appetite regarding credit risks, applies conservative approach to credit risk management and uses credit practices, ensuring high probability that loans will be repaid.

Market (currency) risk

Market risk is the probability of losses or additional costs, or receipt of less than planned revenues resulting from unfavourable exchange rates, interest rates, value of financial instruments. The bank evades risks inherent to trade book instruments (zero risk appetite of default risk, interest risk of trade book, risk of credit spread, risk of volatility, stock market and commodity risk), and does not enter into transactions with trade book financial instruments, including those with securities, which meet the below criteria:

- no legal limitations on sale or full hedging;
- daily fair value revaluation through profit / loss;
- keeping the financial instruments in trade book for resale within the short term, gains from short-term price fluctuations; fixing of arbitrary income or hedging of risks of keeping the instruments for the above purpose.

The bank manages, as part of market risks, the foreign currency risk (existing or potential risk for receipts and equity, created by unfavourable exchange rate fluctuations and prices of bank metals) for instruments in the bank book, and does not design policies and procedures to manage market risks, inherent to trade book instruments (risk of default, interest risk of trade book, risk of credit spread, risk of volatility, stock market and commodity risk).

Foreign currency risk management is the process of control over foreign-currency transactions of the bank with simultaneous control over open foreign currency positions, taking into account hedging of foreign currency risk. The bank applies the following to assess and measure foreign currency risk:

- analysis of compliance with limits for open currency position, set by NBU;
- analysis of compliance with internal limits of foreign currency risk;
- analysis of situation on currency and cash markets to assess the risk of probable change of exchange rates and its effect on the bank results;
- VaR method with probability of not less than 99% and size of statistical sample of not less than 250 observations during the period not less than one calendar year;
- Stress testing of foreign currency risk.

The bank sets the following limits for foreign currency risk:

- Maximal Value-at-Risk (VaR) or maximal Expected Shortfall during 10 business days as of the date of settlement with probability not less than 99% (if currency positions are kept at the factual level as at the beginning of a business day when settlement takes place);
- Scope of open currency positions in meaningful currencies as percent of bank capital (meaningful currency is a currency, composing more than five percent of Bank liabilities as at the date of analysis).

The bank uses one of the following methods or their combination to assess influence of foreign currency risk sources at its level:

- Analysis of sensitivity of assets portfolio to change of risk factors;
- Analysis of scenarios;
- Reversed stress testing.

Table 26.1. *Foreign currency risk analysis*

| Line | Currency | As at the reporting date | | | | As at the reporting date | | | |
|------|----------------|--------------------------|----------------------|----------------------------------|--------------|--------------------------|----------------------|----------------------------------|--------------|
| | | 31.12.2020 | | | | 31.12.2019 | | | |
| | | Monetary assets | Monetary liabilities | Derivative financial instruments | Net position | Monetary assets | Monetary liabilities | Derivative financial instruments | Net position |
| 1 | US dollars | 664 016 | 700 109 | - | (36 093) | 391 728 | 373 931 | - | 17 797 |
| 2 | Euro | 248 146 | 307 768 | - | (59 622) | 148 873 | 183 700 | - | (34 827) |
| 3 | British pounds | 2 577 | 2 375 | - | 202 | 3 096 | 2 786 | - | 310 |
| 4 | Other | 6 281 | 6 549 | - | (268) | 2 742 | 2 143 | - | 599 |
| 5 | Total | 921 020 | 1 016 801 | - | (95 781) | 546 439 | 562 560 | - | (16 121) |

Table 26.2. *Change of profit and loss and equity resulting from possible changes in the official exchange rate of UAH against foreign currencies set at the reporting date, all other variables being fixed*

| Item | As at the reporting date | | As at the reporting date | |
|---|--------------------------|------------------|--------------------------|------------------|
| | 31.12.2020 | | 31.12.2019 | |
| | Impact on profit or loss | Impact on equity | Impact on profit or loss | Impact on equity |
| Appreciation of USD by 40% | (14 437) | (14 437) | 7 119 | 7 119 |
| Depreciation of USD by 40% | 14 437 | 14 437 | (7 119) | (7 119) |
| Appreciation of EUR by 40% | (23 849) | (23 849) | (13 931) | (13 931) |
| Depreciation of EUR by 40% | 23 849 | 23 849 | 13 931 | 13 931 |
| Appreciation of GBP by 40% | 81 | 81 | 124 | 124 |
| Depreciation of GBP by 40% | (81) | (81) | (124) | (124) |
| Appreciation of other currencies and banking metals | (107) | (107) | 240 | 240 |
| Depreciation of other currencies and banking metals | 107 | 107 | (240) | (240) |

When measuring foreign currency risk, the bank uses reasonable, complete and documented assumptions, complying with its business plan, historical market and Bank own statistics. The bank assesses risk appetite to foreign currency risk as low.

Table 26.3. *Monitoring of interest rates of financial instruments*

| Item | Reporting period | | | Previous period | | |
|-----------------------------------|------------------|------|-------|-----------------|------|-------|
| | 31.12.2020 | | | 31.12.2019 | | |
| | UAH | USD | EUR | UAH | USD | EUR |
| Assets | | | | | | |
| 1 Cash and cash equivalents | 5,17 | 0,00 | 0,00 | 12,56 | 0,50 | 0,50 |
| 2 Due from other banks | 14,30 | 0,11 | 0,22 | 17,05 | 2,27 | 0,00 |
| 3 Loans and advances to customers | 15,11 | 7,53 | 10,32 | 15,39 | 9,33 | 11,01 |
| 4 Investment securities | 8,45 | 3,90 | 0,00 | 16,65 | 5,79 | 0,00 |
| Liabilities | | | | | | |

| | | | | | | | |
|-----|--------------------------|-------|------|------|-------|------|------|
| 5 | Due to other banks | 6,50 | | | | | |
| 6 | Amounts due to customers | 5,83 | 1,74 | 0,81 | 7,82 | 2,83 | 1,41 |
| 6.1 | current accounts | 4,05 | 0,84 | 0,24 | 6,49 | 1,73 | 0,58 |
| 6.2 | term deposits | 11,66 | 2,55 | 2,39 | 12,96 | 3,51 | 3,29 |

Interest rate risk

Interest risk is the probability of losses or additional costs, or receipt of less than planned revenues resulting from unfavourable interest rates affecting bankbook. Interest rate risk affects economic value of Bank capital and net interest income of the bank.

Major purpose of interest rate risk management is decrease of effect of interest rates on the capital through limitation and decrease of amount of possible losses that bank open positions may suffer from the changes of financial market situations.

Interest rate risk includes the following risks:

- Risk of gaps, generated by difference between terms of repayment (for instruments with fixed interest rate) or change of interest rate index (for instruments with floating interest rate) of assets, liabilities and off-balance sheet positions in the bankbook. The bank calculates risk of gaps, taking into account whether interest rates change sequentially for all profitability curve (parallel risk) or differentially by periods with respective changes of slope and form of profitability curve (non-parallel risk);
- Basis risk resulting from absence of close relationship between adjustments of rates, received and paid under different instruments, all other characteristics of which are similar regarding revaluation;
- Risk of options, resulting from Bank transactions with options (automatic risk of options) or existence of in-built options in bank's standard products (behavioural risk of options).

The bank applies the following methods of interest rate risk management depending on its type:

1) risk of gaps: decrease of short-term interest rate gaps if the bank assumes transition of profitability curve into inverted curve (increase of interest rates within 6-month period);

2) basis risk:

- Referencing floating interest rate for active transactions to the same benchmark¹, as used for attracted resources;
- Use of resourced, received under floating interest rates, solely for crediting with floating interest rate with similar regularity of reviews;
- Placement of resources with fixed interest rate taking into account the term of similar debt resources;

3) risk of options:

- Use of minimal interest rate for clients' deposits keeping in mind possibility of pre-term withdrawal of funds (if withdrawal is permitted by terms of deposit);
- Inclusion of procedures of calculation and payment of penalties for pre-term repayment of loans into contracts with corporate clients;
- Use for credits, issued as renewable credit lines (where a customer has an option to get / repay loan at any time), special transfer rate - FTP-ask, including additional margin, covering Bank risk (thus, minimizing possibility of a customer to use such loan to generate arbitrary revenue: get

¹ Interest rate used at bank market as basis for selection of interest rate for assets / liabilities with floating interest rate (e.g., LIBOR, EURIBOR, MosPrime, UIIR, UIRD)

funds during the period of high rates and place them into other bank for interest rate higher than interest rate under the loan, fixed at the moment of signing of the contract, with subsequent repayment at decreased market rates);

- Issuance of overdraft credits solely under the term that the bank has an option for regular (not less than once per quarter) review of interest rate depending on changes of market indicators.

The bank measures interest rate risk based on at least four scenarios of interest rate changes:

- Similar rates of increase of interest rates for all terms (parallel shock up);
- Similar rates of decrease of interest rates for all terms (parallel shock down);
- Increase of rates only for 6 months (including) term (short rates shock up);
- Decrease of rates only for 6 months (including) term (short rates shock down).

The bank uses the following instruments to assess the interest rate risk:

- GAP analysis – to evaluate changes in net interest income of the bank;
- Modified duration method – to evaluate changes in economic value of bank capital;
- Analysis of compliance with internal limits of interest rate risk;
- Analysis of cash market situation to assess the risk of possible interest rate changes and their effect on NII and EVE;
- Stress testing of interest rate risk.

Table 26.4. *General analysis of interest rate risk*

| Line | Item | On demand | Less than 1 month | 1-12 months | More than one year | No interest rate risk | UAH'000 Total |
|------------------------------------|----------------------------------|-----------|-------------------|-------------|--------------------|-----------------------|------------------|
| Reporting period 31.12.2020 | | | | | | | |
| 1 | Total financial assets | 621 986 | 541 666 | 1 135 357 | 114 180 | 0 | 2 413 189 |
| 2 | Total financial liabilities | 1 241 344 | 110 745 | 860 332 | 39 953 | 0 | 2 252 374 |
| 3 | Net interest gap at the year end | (619 358) | 430 921 | 275 025 | 74 227 | 0 | 160 815 |
| Reporting period 31.12.2019 | | | | | | | |
| 4 | Total financial assets | 589 378 | 139 384 | 804 600 | 93 012 | - | 1 626 374 |
| 5 | Total financial liabilities | 1 141 509 | 15 275 | 399 813 | 20 934 | 27 654 | 1 605 185 |
| 6 | Net interest gap at the year end | (552 131) | 124 109 | 404 787 | 72 078 | (27 654) | (21 189) |

Based on the net interest gap the following conclusions about an impact of interest rates changes on the Bank's financial results can be made:

| | | | | | | | (UAH'000) |
|--|-----------|-------------------|-------------|--------------------|-----------------------|-------|-----------|
| Effect of interest rate change on bank revenue | On demand | Less than 1 month | 1-12 months | More than one year | No interest rate risk | Total | |
| Interest rate change: +1% | (6 436) | 4 307 | 3 433 | 305 | - | 1 609 | |
| Interest rate change: -1% | (6 436) | 4 307 | 3 433 | 305 | | 1 609 | |

Geographic risk

Geographic risk is the existing or potential risk of losses for the Bank resulting from the clients' or counterparties' failure to perform under contracts when the clients or counterparties operate in a specific country and, as a result, are exposed to risks inherent to that country.

Geographic risk is not inherent in the Bank's operations as the Bank has no branches or outlets in other countries and operates only in Ukraine except for correspondent accounts with other banks required to meet its obligations to its clients.

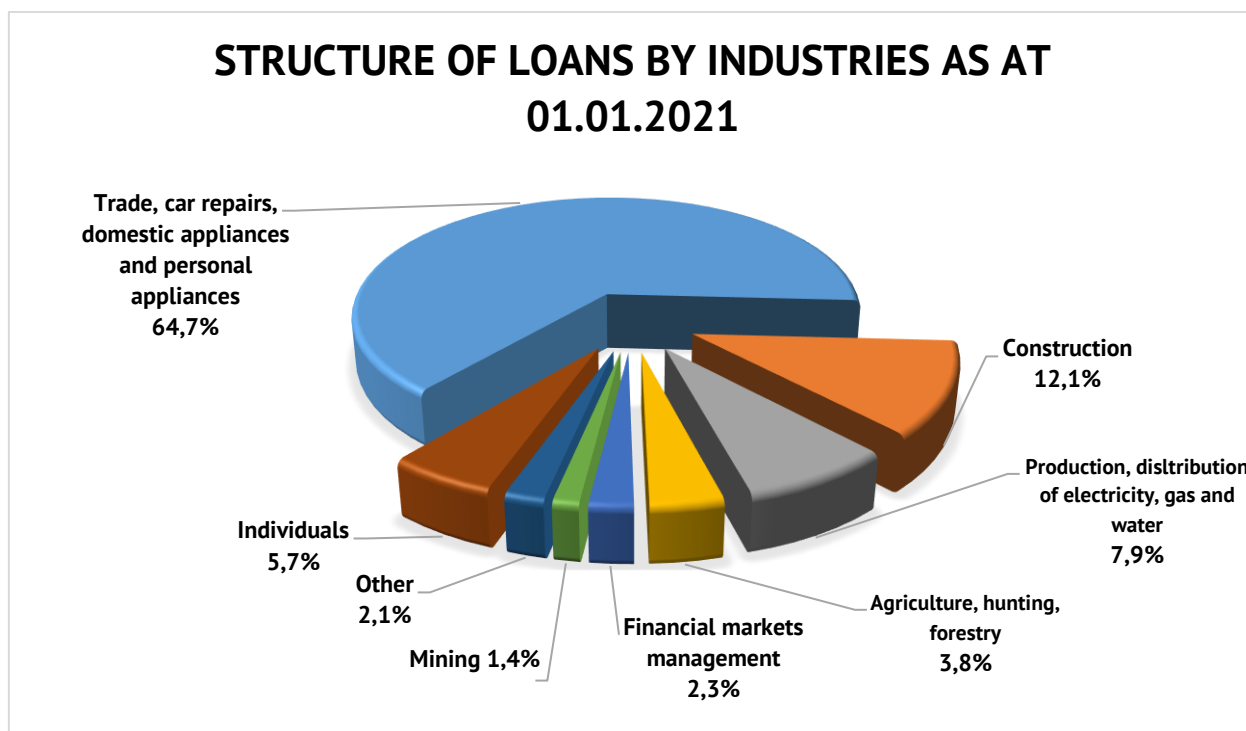
Table 26.5. Analysis of geographic concentration of financial assets and liabilities in 2020

| <i>Line</i> | <i>Item</i> | <i>Ukraine</i> | <i>OECD</i> | <i>Other</i> | UAH'000 <i>Total</i> |
|--------------------|--|----------------|-------------|--------------|-------------------------|
| Assets | | | | | |
| 1 | Cash and equivalents | 217 370 | 153 673 | 1 361 | 372 404 |
| 2 | Loans and advances to customers | 1 178 477 | 124 685 | 1 | 1 303 163 |
| 3 | Investment securities available for sale | 624 284 | - | - | 624 284 |
| 4 | Other financial assets | 113 338 | - | - | 113 338 |
| 5 | Total financial assets | 2 133 469 | 278 358 | 1 362 | 2 413 189 |
| Liabilities | | | | | |
| 6 | Due to other banks | 150 000 | - | - | 150 000 |
| 7 | Amounts due to customers | 2 035 543 | 7 602 | 50 955 | 2 094 100 |
| 8 | Other financial liabilities | 8 274 | - | - | 8 274 |
| 9 | Total financial liabilities | 2 193 817 | 7 602 | 50 955 | 2 252 374 |
| 10 | Net position on financial instruments | (60 348) | 270 756 | (49 593) | 160 815 |
| 11 | Credit related commitments | 742 880 | - | - | 742 880 |

Table 26.6. Analysis of geographic concentration of financial assets and liabilities in 2019

| <i>Line</i> | <i>Item</i> | <i>Ukraine</i> | <i>OECD</i> | <i>Other</i> | UAH'000 <i>Total</i> |
|--------------------|--|----------------|-------------|--------------|-------------------------|
| Assets | | | | | |
| 1 | Cash and equivalents | 121 734 | 70 063 | 301 | 192 098 |
| 2 | Cash in other banks | 12 387 | - | - | 12 387 |
| 3 | Loans and advances to customers | 701 310 | - | - | 701 310 |
| 4 | Investment securities available for sale | 585 397 | - | - | 585 397 |
| 5 | Investment securities held to maturity | 111 140 | - | - | 111 140 |
| 6 | Other financial assets | 24 042 | - | - | 24 042 |
| 7 | Total financial assets | 1 556 010 | 70 063 | 301 | 1 626 374 |
| Liabilities | | | | | |
| 8 | Due to other banks | - | - | - | - |
| 9 | Amounts due to customers | 1 588 127 | 1 579 | 10 195 | 1 599 901 |
| 10 | Other financial liabilities | 5 284 | - | - | 5 284 |
| 11 | Total financial liabilities | 1 593 411 | 1 579 | 10 195 | 1 605 185 |
| 12 | Net position on financial instruments | (37 401) | 68 484 | (9 894) | 21 189 |
| 13 | Credit related commitments | 95 692 | - | - | 95 692 |

Other risks concentration



As at 01.01.2021, structure of loan portfolio of the bank is not adequately diversified, as it significantly depends on Trade, car repairs, domestic appliances and personal appliances sector (covering 64.7% of total loan portfolio), so, the risk of concentration, based on this aspect, is higher. The way to minimize it is to attract new customers through introduction of attractive and competitive programs of services in other industries, at the same time keeping the profitability of assets at the necessary level.

Liquidity risk

Liquidity risk is existing or potential risk of losses or receipt of less than expected profit, generated by bank inability to provide for financing of increase of assets and/or compliance with its liabilities within the proper terms.

The bank uses the following instruments to assess and measure the liquidity risk:

- Analysis of compliance with liquidity and mandatory provisioning ratios, set by NBU;
- GAP analysis, reflecting time difference between claims and liabilities of the bank (both balance sheet and off-balance sheet) based on contractual or expected terms of repayment;
- Analysis of concentration of bank liabilities by meaningful groups of counterparts, tools / products (rates of concentration in liabilities portfolio);
- Comparison of assets and liabilities in every meaningful currency, including comparison of strategic time intervals;
- Monitoring of available unsecured high-liquid assets (liquidity buffer), held as possible provision in case of realization of stress scenarios, including loss or deterioration of terms of attraction of unsecured and accessible under normal conditions sources of financing by types and meaningful currencies;
- Estimation of scope of available funds to finance operations in case of loss of access to unstable funding;

- Analysis of information on situation at stock market and financial sector, market characteristics of securities included into the list of high-liquid assets (HLA); calculation of excess liquidity index – excess of actual size of liquidity buffer over minimally needed (planned) size;
- Calculation of index of risk of cash flow changes resulting from possible decrease of scope of funding, which may be received using the liquidity buffer (e.g., as a result of adjustment of market value of HLA elements);
- Calculation of indicators of early detection of liquidity crisis;
- Analysis of Bank liquidity risk within one business day.

The bank also uses the following method to assess liquidity risk:

- Analysis of liquidity cover ratio (LCR) in accordance with Decree of NBU Board №13 of 15.02.2018 *On Introduction of Liquidity Cover Ratio (LCR)*.

The bank sets the following limits to control liquidity risk:

- Limit of cumulative GAP between claims and liabilities of the bank for time periods of up to one year, calculated based on GAP analysis;
- Limits of concentration of bank financing by five and ten biggest depositors and other bank creditors / groups of related counterparts, aimed at diversification of sources of funding.

During 2020, the bank complied with liquidity ratios, set by NBU. Liquidity ratios as at 31.12.2020 were:

- Short-term liquidity ratio (H6) was 77,07% with NBU ratio of not less than 60%;
- Current liquidity ratio in all currencies (liquidity coverage ratio – LCR_{ВВ}) was 208,59% with NBU ratio of not less than 100%;
- Current liquidity ratio in foreign currency (liquidity coverage ratio – LCR_{ів}) was 421,60% with NBU ratio of not less than 100%.

The bank uses non-discounted flows when calculating gaps between terms of assets and liabilities, reflecting terms of repayments in accordance with the contracts, for analysis of liquidity risk.

Table 26.7. Maturity analysis of financial assets and liabilities, based on estimated terms of repayment

| Line | Item | On demand | Less than 1 month | 1-12 months | Over 1 year | Without term | UAH'000 Total |
|------|--|-----------|-------------------|-------------|-------------|--------------|------------------|
| | As at 31.12.2020 | | | | | | |
| 1 | Total financial assets | 621 986 | 541 666 | 1 135 357 | 114 180 | - | 2 413 189 |
| 2 | Total financial liabilities | 1 241 344 | 110 745 | 860 332 | 39 953 | - | 2 252 374 |
| 3 | Net interest gap at the year end | (619 358) | 430 921 | 275 025 | 74 227 | - | 160 815 |
| 4 | Cumulative liquidity gap for financial instruments | (619 358) | 430 921 | 275 025 | 74 227 | 160 815 | - |
| | As at 31.12.2019 | | | | | | |
| 5 | Total financial assets | 589 378 | 139 384 | 804 600 | 93 012 | - | 1 626 374 |
| 6 | Total financial liabilities | 1 141 509 | 15 275 | 399 813 | 20 934 | 27 654 | 1 605 185 |
| 7 | Net interest gap at the year end | (552 131) | 124 149 | 404 787 | 72 078 | (27 654) | 52 981 |
| 8 | Cumulative liquidity gap for financial instruments | (552 131) | (428 022) | (23 235) | 48 843 | 21 189 | - |

A major portion of liabilities of CLEARING HOUSE JSCB represents corporate funds. Therefore, significant amounts of highly liquid funds are kept on correspondent accounts to maintain liquidity. Furthermore, continuous monitoring of balances on demand accounts allows to calculate the volatility of this indicator and identify the portion of funds that, for the purposes of liquidity risk analysis are classified as 'stable balances'. Most corporate term deposits are also of acceptable stability and, based on historic data, their term may be considered longer than the contractual term. It is highly probable that these deposits would be extended.

In the course of maturity analysis of financial assets and liabilities based on their expected deadlines, the primary index is the cumulative gap indicating any deficit (negative value) or surplus (positive value) of funds. However, the gap does not necessarily indicate an imbalance that leads to losses of capital. Certain limit gaps may be dangerous for the Bank. The Bank is able to cover these gaps without resorting to practices resulting in capital loss. The Assets and Liabilities Committee approves any dangerous ratios (cumulative gaps for a specified period to the amount of total assets). In case of changes in the economic situation, the balance sheet structure or any other essential factors, the Committee adjusts the ratios.

Table 26.8. *Maturity analysis of financial liabilities as at 31.12.2020*

| Line | Item | | | | | | UAH'000 |
|------|---|---------------------------------------|---------------|----------------|-------------------------|-----------------|-----------|
| | | On demand and less than 1 month | 1-3 months | 3-12 months | 12 months to 5 years | Over 5 years | Total |
| 1 | Due to other banks | - | 158 998 | - | - | - | 158 998 |
| 2 | Amounts due to customers | 1 110 446 | 262 339 | 748 676 | 38 649 | 2 204 | 2 162 314 |
| 3 | Subordinated debt | | | | | | |
| 4 | Other financial liabilities | 8 274 | - | - | - | - | 8 274 |
| 5 | Other credit related liabilities | 742 880 | - | - | - | - | 742 880 |
| 6 | Total potential future payments under financial liabilities | 1 861 600 | 421 337 | 748 676 | 38 649 | 2 204 | 3 072 466 |

Table 26.9. *Maturity analysis of financial liabilities as at 31.12.2019*

| Line | Item | | | | | | UAH'000 |
|------|---|---------------------------------------|---------------|----------------|-------------------------|-----------------|-----------|
| | | On demand and less than 1 month | 1-3 months | 3-12 months | 12 months to 5 years | Over 5 years | Total |
| 1 | Due to other banks | - | - | - | - | - | - |
| 2 | Amounts due to customers | 1 234 182 | 112 631 | 287 802 | 20 182 | 31 086 | 1 685 883 |
| 3 | Subordinated debt | - | - | - | - | - | - |
| 4 | Other financial liabilities | 5 284 | - | - | - | - | 5 284 |
| 5 | Other credit related liabilities | 95 692 | - | - | - | - | 95 692 |
| 6 | Total potential future payments under financial liabilities | 1 335 158 | 112 631 | 287 802 | 20 182 | 31 086 | 1 786 859 |

The bank has low-level risk appetite to liquidity risk. The bank has adequate reserves of liquid funds to meet its liabilities. Potential loss (income less than planned) from keeping of required level of high liquid assets is realized through decrease of NII of the bank and is reflected in risk appetite to interest rate risk.

Note 27. Capital management

Capital is one of the most important indicators for the Bank's operations. Its main purpose is to cover any adverse consequences of various risks accepted by the Bank in the course of its operations, and to protect deposits, financial stability and sustainability of the Bank.

In order to minimize potential negative impacts of risks on the amount of regulatory capital, in the course of its operations the Bank, on a continuous basis:

- monitors the diversification of its assets;
- invests on the basis of prudence and profitability principles;
- assesses the quality of all assets and off-balance sheet credit commitments (objective and consistent valuation of assets is based on transparent standards and accounting practices, and can be enhanced by expert reviews);
- creates allowances for potential loan losses;
- develops promotional events and programs to attract cheaper resources;
- analyses interest rates on assets and liabilities, compliance with established interest margins, monitors interest rates of other banks;
- controls its currency position, sufficiency of resources mobilized for active operations for each type of currency;
- monitors applicable Ukrainian laws.

The Bank uses the following capital management methods in its operations:

- financial planning consisting of several stages: approval of the budget for the next year (by the year end), supervision on the budget implementation (quarterly), and monthly planning of financial results of the Bank;
- capitalization of the Bank. In order to implement strategic goals of the Bank and taking into account economic performance of Ukraine as a whole, the issue of the share capital increase and the use of dividends to form reserves in the amount that exceeds statutory minimum is submitted to the general meeting of the Bank's shareholders;
- assessment of the Bank's capital adequacy;
- development and approval of new banking products, expansion of the customer base by type of services;
- assessment of shocks impact (scenario analysis) on the decrease in the equity market value in order to assess the total loss and losses by the type of assets should extraordinary events occur, as well as the Bank's potential to compensate these losses, assess the state of its equity and the quality of its risk management techniques.

The following issues are considered in the course of capital adequacy assessment:

- sufficiency, adequacy, reliability and objectivity of existing allowances and provisions;
- compliance with legal requirements of the NBU
- .

As at 01.01.2021, the regulatory capital adequacy was 21,18% , which is 11,1% higher than the adequacy required.

As at 01.01.2021, actual regulatory capital amounted to UAH 553 442 625,23, which is UAH 353 442 625,23 more than required by existing standards.

Note 28. Contingent liabilities of the Bank

- a) As at 01.01.2021, there is no litigation where the Bank is a defendant;
- b) The Bank has no contingent tax liabilities;

c) The Bank has no capital investment commitments;

d) Lease liabilities:

The Bank has 33 operating-lease contracts: no operating lease contracts with lease term of one month or less, 19 lease contracts on lease of low-value assets, where right-of-use assets and lease liabilities are not recognized, while lease payments are recognized as expenses by a straight-line basis during term of lease and posted at expense accounts, and 14 lease contracts, accounted in accordance IFRS 16.

Deferred expenses under lease of low-value assets are UAH 110 thousand.

Future repayment of lease liabilities under lease contracts is UAH 3 280 thousand

- Payable within 1 year – UAH - 3 184 thousand
- Payable during 1 to 5 years – UAH 96 thousand.

Table 28.1 Future lease payments under lease contracts

| | | UAH'000 |
|----------|--------------|--------------|
| Line | Item | 31.12.2020 |
| 1 | Up to 1 year | 3 184 |
| 2 | 1 to 5 years | 96 |
| 3 | Total | 3 280 |

The bank has four lease contracts, three of which relate to lease of investment property.

In accordance with contracts on lease of investment property the Bank leases out eight objects, owned by the Bank: seven land plots and one property complex.

The Bank leases out one car under lease contract.

Table 28.2 Structure of credit related commitments

| | | UAH'000 | |
|----------|---|------------------|----------------|
| Line | Item | 31.12.2020 | 31.12.2019 |
| 1 | Unused credit lines | 1 182 262 | 361 803 |
| 2 | Guarantees issued | 741 899 | 95 692 |
| 3 | Provisions for credit related commitments | - | - |
| 4 | Total credit related commitments less provisions | 1 924 161 | 457 495 |

Table 28.3 Credit-related commitments by currencies

| Line | Item | 31.12.2020 | 31.12.2019 |
|------|------------|------------|------------|
| 1 | UAH | 1 030 266 | 322 697 |
| 2 | US dollars | 28 278 | 9 356 |
| 3 | Euro | 123 718 | 29 750 |
| 4 | Other | - | - |
| 5 | Total | 1 182 262 | 361 803 |

The Bank has no irrevocable commitments.

Note 29. Fair value of financial instruments

Results of fair value valuation are analysed and allocated to hierarchy levels of fair value in the following way: Level 1 relates to values quoted (without any adjustments) at active markets for identical assets and liabilities, Level 2 relates to values, received by methods of valuation, where all material input data, directly or indirectly, are observable for an asset or liability (e.g., prices), while Level 3 relates to values, which are not based on observable market data (i.e., they are based on non-observable input data). Management uses professional judgement to allocate financial instruments to respective categories.

Fair value is the amount at which the instrument could be exchanged in a current transaction between knowledgeable, willing parties on terms other than the forced exchange or liquidation sale.

Fair value of financial instruments was estimated by the Bank using available market information and the applicable valuation methodologies. The best evidence of the fair value of a financial instrument is a quoted market price. As there is no readily available market for the majority of financial instruments, the Bank has to use a number of assumptions while measuring fair value based on current economic conditions and specific risks attributable to these financial instruments.

The estimates presented herein are not always indicative of amounts the Bank could receive as a result of market exchange of all financial instruments of a particular type. Available market information was used for fair valuation of financial instruments.

Table 29.1 Fair value disclosure as at 31.12.2020

| | Valuation date | Level of inputs used for fair valuation | | | Total fair value | UAH'000 Total carrying amount |
|---|----------------|---|-----------|-----------|------------------|----------------------------------|
| | | Level 1 | Level 2 | Level 3 | | |
| <i>Assets measured at fair value</i> | | | | | | |
| Ukrainian government bonds | 31.12.2020 | - | 154 130 | - | 154 130 | 154 130 |
| Shares | 31.12.2020 | - | - | - | - | - |
| Saving (deposit) certificates issued by the NBU | 31.12.2020 | - | 470 154 | - | 470 154 | 470 154 |
| Property – buildings | 01.11.2020 | - | - | 108 148 | 108 148 | 108 148 |
| Investment property | 01.11.2020 | - | - | 291 186 | 291 186 | 291 186 |
| <i>Assets for which fair values are disclosed</i> | | | | | | |
| Cash and cash equivalents | 31.12.2020 | - | 372 404 | - | 372 404 | 372 404 |
| Loans and advances to customers | 31.12.2020 | - | - | 1 354 766 | 1 354 766 | 1 303 163 |
| Other financial assets | 31.12.2020 | - | - | 113 338 | 113 338 | 113 338 |
| <i>Liabilities with fair value disclosed</i> | | | | | | |
| Due to banks | 31.12.2020 | - | - | 150 403 | 150 403 | 150 000 |
| Due to customers | 31.12.2020 | - | 2 097 917 | - | 2 097 917 | 2 094 100 |
| Other financial liabilities | 31.12.2020 | - | - | 8 274 | 8 274 | 8 274 |

Table 29.2 Fair value disclosure as at 31.12.2019

| | Valuation date | Level of inputs used for fair valuation | | | Total fair value | UAH'000 Total carrying amount |
|---|----------------|---|-----------|---------|------------------|----------------------------------|
| | | Level 1 | Level 2 | Level 3 | | |
| <i>Assets measured at fair value</i> | | | | | | |
| Ukrainian government bonds | 31.12.2019 | - | 128 555 | - | 128 555 | 128 555 |
| Shares | 31.12.2019 | - | - | - | - | - |
| Saving (deposit) certificates issued by the NBU | 31.12.2019 | - | 456 842 | - | 456 842 | 456 842 |
| Property – buildings | 01.11.2019 | - | - | 86 761 | 86 761 | 86 761 |
| Investment property | 01.11.2019 | - | - | 376 990 | 376 990 | 376 990 |
| <i>Assets for which fair values are disclosed</i> | | | | | | |
| Cash and cash equivalents | 31.12.2019 | - | 192 098 | - | 192 098 | 192 098 |
| Loans and due from banks | 31.12.2019 | - | - | 12 741 | 12 741 | 12 387 |
| Loans and advances to customers | 31.12.2019 | - | - | 707 458 | 707 458 | 701 310 |
| Investment debt securities, disclosed at amortized cost | 31.12.2019 | - | 111 140 | - | 111 140 | 111 140 |
| Other financial assets | 31.12.2019 | - | - | 24 042 | 24 042 | 24 042 |
| <i>Liabilities with fair value disclosed</i> | | | | | | |
| Due to customers | 31.12.2019 | - | 1 599 832 | - | 1 599 832 | 1 599 901 |
| Other financial liabilities | 31.12.2019 | - | - | 5 284 | 5 284 | 5 284 |

Note 30 Presentation of financial instruments by measurement categories

Table 30.1 Financial assets by measurement categories in 2020

| Line | Item | Amortized cost | Fair value through other comprehensive income | UAH'000 Total |
|---------------|---------------------------------------|----------------|---|------------------|
| <i>Assets</i> | | | | |
| 1 | Cash and equivalent | 372 404 | - | 372 404 |
| 2 | Loans and advances to customers: | 1 303 163 | - | 1 303 163 |
| 2.1 | Corporate loans | 1 674 368 | - | 1 674 368 |
| 2.2 | Mortgage loans to individuals | 13 959 | - | 13 959 |
| 2.3 | Consumer loans to individuals | 86 791 | - | 86 791 |
| 2.4 | Allowances for expected credit losses | (471 955) | - | (471 955) |

| Line | Item | Amortized cost | Fair value through other comprehensive income | Total |
|------|---|------------------|---|------------------|
| 3 | Investment debt securities at fair value through other comprehensive income | | 624 284 | 624 284 |
| 4 | Other financial assets: | 113 338 | - | 113 338 |
| 4.1 | Receivables under transactions with payment cards | 2 848 | - | 2 848 |
| 4.2 | Restricted cash | 108 412 | - | 108 412 |
| 4.3 | Other financial assets | 2 078 | - | 2 078 |
| 5 | Total financial assets | 1 788 905 | 624 284 | 2 413 189 |

Table 30.2 Financial assets by measurement categories in 2019

| Line | Item | Amortized cost | Fair value through other comprehensive income | Total |
|---------|---|------------------|---|------------------|
| UAH'000 | | | | |
| | Assets | | | |
| 1 | Cash and equivalent | 192 098 | - | 192 098 |
| 2 | Loans and due from banks: | 12 387 | - | 12 387 |
| 2.1 | Deposits in other banks | 12 387 | - | 12 387 |
| 2.2 | Loans to other banks | - | - | - |
| 3 | Loans and advances to customers | 701 310 | - | 701 310 |
| 3.1 | Corporate loans | 1 085 288 | - | 1 085 288 |
| 3.2 | Mortgage loans to individuals | 12 109 | - | 12 109 |
| 3.3 | Consumer loans to individuals | 57 346 | - | 57 346 |
| 3.4 | Allowances for expected credit losses of loans | (453 433) | - | (453 433) |
| 4 | Investment debt securities at fair value through other comprehensive income | - | 585 397 | 585 397 |
| 5 | Investment debt securities at amortized cost | 111 140 | - | 111 140 |
| 6 | Other financial assets: | 24 042 | - | 24 042 |
| 6.1 | Receivables under transactions with payment cards | 1 507 | - | 1 507 |
| 6.2 | Restricted cash | 22 510 | - | 22 510 |
| 6.3 | Other financial assets | 25 | - | 25 |
| 7 | Total financial assets | 1 040 977 | 585 397 | 1 626 374 |

Table 30.3 Financial liabilities by measurement categories in 2020

| Line | Item | UAH'000 | |
|----------|------------------------------------|---|------------------|
| | | Amounts due to customers and accounts payable | Total |
| | Liabilities | | |
| 1 | Due to banks | 150 000 | 150 000 |
| 2 | Amounts due to customers | 2 094 100 | 2 094 100 |
| 2.1 | Corporate term deposits | 921 251 | 921 251 |
| 2.2 | Individual deposits | 1 172 849 | 1 172 849 |
| 3 | Other financial liabilities | 8 274 | 8 274 |
| 3.1 | Other financial liabilities | 8 274 | 8 274 |
| 4 | Total financial liabilities | 2 252 374 | 2 252 374 |

Table 30.4 Financial liabilities by measurement categories in 2019

| Line | Item | UAH'000 | |
|----------|------------------------------------|---|------------------|
| | | Amounts due to customers and accounts payable | Total |
| | Liabilities | | |
| 1 | Amounts due to customers | 1 599 901 | 1 599 901 |
| 1.1 | Corporate term deposits | 921 705 | 921 705 |
| 1.2 | Individual deposits | 678 196 | 678 196 |
| 2 | Other financial liabilities | 5 284 | 5 284 |
| 2.1 | Other financial liabilities | 5 284 | 5 284 |
| 3 | Total financial liabilities | 1 605 185 | 1 605 185 |

Note 31 Related party transactions

The ultimate owners of the Bank are Liovochkina Yuliya Volodymyrivna (60,3453% interest in the Bank) and Fursin Ivan Hennadiiovych (42.6042% interest in the Bank).

Other owners have insignificant interest in the Bank (less than 10%).

The total amount of loans granted to related parties comprises 0.06% of the Bank's regulatory capital.

The total amount of funds received from the related parties comprises 7.25% of the Bank's liabilities.

Table 31.1 Outstanding balances with related parties as at 31.12.2020

| Line | Item | UAH'000 | | | |
|------|--|--------------------------|--------------------------|---------------------|-----------------------|
| | | Shareholders of the Bank | Key management personnel | Associated entities | Other related parties |
| 1 | Loans and due from customers (contractual interest rate: 16,5% - 35%) | 179 | 152 | | |
| 2 | Allowances for expected credit losses | (179) | (12) | | |
| 3 | Customers' fund (contractual interest rate: 1% - 35%) | 72 654 | 3 355 | 81 190 | 7 414 |
| 4 | Other assets | - | - | 7 | - |

Table 31.2 Outstanding balances with related parties as at 31.12.2019

| Line | Item | Shareholders of the Bank | Key management personnel | Associated entities | UAH'000 Other related parties |
|------|---|-----------------------------|--------------------------------|------------------------|--|
| 1 | Loans to other banks (contractual interest rate - 19,5%) | - | - | 17 000 | - |
| 2 | Allowances for expected credit losses for loans to other banks | - | - | (17 000) | - |
| 3 | Loans and due from customers (contractual interest rate: 16,5% - 35%) | 9 | 93 | - | 90 |
| 4 | Allowances for expected credit losses for loans and advances to customers | (1) | (7) | - | (90) |
| 5 | Customers' fund (contractual interest rate: 0% - 17,5%) | 31 239 | 2 614 | 55 013 | 3 502 |
| 6 | Other assets | 1 | - | 17 | - |

Table 31.3 Income and expenses from transactions with related parties in 2020

| Line | Item | Shareholders of the Bank | Key management personnel | Associated entities | UAH'000 Other related parties |
|------|---|-----------------------------|--------------------------------|------------------------|--|
| 1 | Interest income | 46 | 17 | 2 484 | 14 |
| 2 | Interest expense | (1 658) | (29) | (1 684) | (105) |
| 3 | Changes in allowances for expected credit losses of loans to customers and due from other banks | (225) | (18) | 10 905 | 90 |
| 4 | Fee and commission income | 229 | 44 | 336 | 36 |

Table 31.4 Income and expenses from transactions with related parties in 2019

| Line | Item | Shareholders of the Bank | Key management personnel | Associated entities | UAH'000 Other related parties |
|------|---|-----------------------------|--------------------------------|------------------------|--|
| 1 | Interest income | - | 17 | 4 599 | 1 |
| 2 | Interest expense | (504) | (22) | (1 252) | (24) |
| 3 | Changes in allowances for expected credit losses of loans to customers and due from other banks | (1) | 3 | 17 990 | (90) |
| 4 | Fee and commission income | 60 | 44 | 152 | 36 |

Table 31.5 Total amount of loans granted to and repaid by related parties in 2020

| Line | Item | Shareholders of the Bank | Key management personnel | Other related parties |
|------|---|-----------------------------|-----------------------------|--------------------------|
| 1 | Loans granted to related parties in the reporting period | 172 | 3 326 | - |
| 2 | Loans repaid by the related parties in the reporting period | 4 | 3 268 | 90 |

Table 31.6 Total amount of loans granted to and repaid by related parties in 2019

| | | UAH'000 | | |
|------|---|--------------------------|--------------------------|-----------------------|
| Line | Item | Shareholders of the Bank | Key management personnel | Other related parties |
| 1 | Loans granted to related parties in the reporting period | 78 | 3 128 | 25 000 |
| 2 | Loans repaid by the related parties in the reporting period | 78 | 3 316 | 8 000 |

Table 31.7 Compensation of key management personnel

| | | UAH'000 | | | |
|------|---------------------------|----------|----------|----------|----------|
| | | 2020 | | 2019 | |
| Line | Item | Expenses | Accruals | Expenses | Accruals |
| 1 | Current employee benefits | 16 583 | 1 556 | 12 851 | 847 |

Note 32. Subsequent events

In January 2021, the Bank derecognized bad loans by cession of right of claim regarding UAH 180 556 thousand of carrying amount of UAH zero for UAH 48 627 thousand to a financial company.

In March 2021, the Bank derecognized bad loans by cession of right of claim regarding USD 363,5 thousand of carrying amount of UAH zero for UAH 3 324 thousand.

Changes of material interests of the ultimate owners in the Bank took place in the first quarter of 2021.

As at March 15, 2021, ultimate owners of the material interest of the Bank are:

- Liovochkina Yuliia Volodymyrivna who owns in total 60,3453% of shares in the Bank in total, including direct ownership of 0% and indirect ownership of 60.3453%;

Resolution No 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

- Fursin Ivan Hennadiiovych who owns in total 27,9742%, including direct ownership of 10,7654% and indirect ownership of 17,2088%.

Resolution No 153 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank.

Approved for issue and signed on 26.04.2021.

Chair of the Management Board

V. O. Andreevskaya

Chief Accountant

O. O. Markina



**PUBLIC JOINT STOCK COMPANY
"BANK "CLEARING HOUSE"**

Management Report
2020

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1. Background information

Public Joint-Stock company "Bank "CLEARING HOUSE" operates on Ukrainian financial market as of 1996, offering full range of banking services for business and individuals.

The Bank operates through Head office and 5 branches:

- Head office (address: 5a, Borysohlibska str., Kyiv);
- Private banking center (address: 5/2, Zankovetskoy str., Kyiv);
- Dnipropetrovsk regional department branch (address: 4, Sichovyh Striltsiv str., Dnypro);
- Odessa regional department branch (address: 29, Uspenska str., Odessa);
- Severodonetsk branch (address: 59, Central avenue, Severodonetsk);
- Boryspilske branch (address: 1st floor, premises of *Hall of Official Delegations* SE, airport, Boryspil, Kyiv oblast).

The Bank team includes over 250 employees, sharing Bank values, being true professionals, caring for offering high-quality services to the clients.

The Bank operates under the License to provide banking services No 171 of 13 October 2011 issued by the National Bank of Ukraine p. 3, Art. 47 of the Law of Ukraine *On Banks and Banking Activities*. The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional (depository) operations in the stock market:

- series AE No 263457 as of 01.10.2013 – depository activities of a depository institution;
- series AE No 263458 as of 01.10.2013 – activities of a custodian of mutual funds;
- series AE No 263459 as of 01.10.2013 – activities of a custodian of pension fund assets.

The Bank has the following licenses issued by the National Securities and Stock Market Commission to perform professional activities in the stock market (trading securities):

- series AE No 185076 from 19.10.2012 – dealer activities;
- series AE No 185077 from 19.10.2012 – brokerage activities.

The Bank is a member of the Deposit Guarantee Fund (registered on February 14, 2002, registration no. 149 as of 8 November 2012) and operates under the Law of Ukraine *On Individuals Deposits Guarantee Fund* No 4452-VI of 23.02.2012.

Resolutions No 153 and 154 of 23.03.2016 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight, provided the consent to the acquisition of a qualifying shareholding in the Bank.

The Bank is a member of the Independent Banks' Association of Ukraine, the Association of Taxpayers of Ukraine, the Professional Association of the Participants of Capital Market and Derivatives, and the Ukrainian Stock Traders (the self-regulatory organization of professional securities market participants).

The Bank is effectively integrated into the international information and payment systems as a member of SWIFT international payment system and of Bloomberg international dealing system, an associate member of VISA international payment system. The Bank also offers the access to Apple Pay and Google Pay systems

2. Strategic mission and goal

Bank's mission

The Bank is modern and stable financial institution, its missions is to offer high-quality personalized banking services to its clients, thus assisting in economic and social growth of the country.

The Bank strives to be a reliable partner of the customers, financial adviser and assistant, understanding needs and intentions of the customers, and offering them efficient solutions.

Strategic goal of the Bank is to maintain reliable-partner status for all parties interested in cooperation - have a balanced growth, focusing on development of relations and business in segments of medium corporate clients and individuals, offering services of highest possible quality

3. Development strategy

Major attributes of the Bank's financial model are:

Clients. The Bank focuses its attention on attraction and development of relations with its clients from target segments, complying with requirements to reputation and financial position.

Products. Bank's products are selected based on current and prospective needs of clients from target segments. Pricing and tariff policies are based on market figures providing for adequate level of profitability.

Technologies. The Bank closely follows innovative processes in financial sector and implements modern technologies, if they are effectively used by the market leaders.

Risk management. The Bank uses risk management system, based on segregation of duties between departments, using advanced three protection-lines model. Major purpose of risk management system is to ensure financial sustainability of the Bank and efficient use of available resources to optimize risk/profitability ratio.

Personnel. The Bank creates comfort conditions for employees building strong, united and loyal team of professionals, improving their skills and professional competences, thus advancing the Bank.

The Bank uses segmented approach to improve and develop its relations with the clients.

The Bank focuses its attention on cooperation with three target sectors:

- Corporate – large business entities. Almost **800** entities engaged the Bank for provision of banking services in 2019.
- Private banking – wealthy individuals. The Bank is a stable partner for more than **1 900** premium clients, offering them exclusive servicing in specialized offices.
- Bank at work – individuals and SME, comprising over **24 000** individuals and SMEs, growing together with the Bank.

Identification of a client as a target client of the Bank is based on:

- Requirements to services and bank products
- Client's interests.

Effective work with a client is based on:

- Development of respective services and channels for each business segment
- Planning and analysis of business targets for each segment and synergy of cooperation of businesses.

The Bank aims at long-term financial stability and efficiency, so, its major benchmarks are:

1. Profitability of operations.
 - Maintaining profitability of assets at the level not less than **2%**
 - Maintaining profitability of assets at the level not less than **10%**
2. Financial stability and adequacy of equity
 - Maintaining enough adequacy of equity at the level not less than **13%**.

4. Ratings and awards

RURIK National Rating Agency recognized long-term credit rating of the Bank at uaAA level of investments category with forecast 'stable' in 2020.

Long-term credit rating of the Bank at uaAA level of investments category with forecast 'stable' of Public Joint-Stock company «Bank «CLEARING HOUSE» was twice confirmed in 2020 (decision №20/02/28-01-CLDIM-KPP-007-OH of 28.02.2020 and decision №20/08/28-01-CLDIM-KPP-008-OH of 28.08.2020), thus demonstrating high solvency compared to other Ukrainian borrowers or debt instruments. Forecast 'stable' confirms absence of grounds for rating changes in close future.

Decision №210226-01-CLDIM-KPP-009-OH of 26.02.2021 once again confirmed long-term credit rating of the Bank at uaAA level of investments category with forecast 'stable'.

Besides, RURIK National Rating Agency by its decision of 26.02.2021 recognized rating of deposits in Public Joint-Stock company «Bank «CLEARING HOUSE» at r4+ level, meaning high reliability, while the Bank is characterized by moderate dependence on financial and economic situation and market environment. Repayment of deposits is highly probable. Sign «+» shows intermediate level compared to basic levels.

Key factors affecting increase of credit rating level:

- Adequate level of protection of assets by the equity.
- Adequate liquidity ratios.
- Proper currency structure of loan portfolio by borrowers.
- High concentration of loan portfolio by major borrowers.
- Adequate efficient operations indices

Financial Club financial analytic group included Public Joint-Stock company «Bank «CLEARING HOUSE» into 50 leading Ukrainian banks – 2020 rating.

On April 20, 2020, Financial Club published annual *50 leading Ukrainian banks – 2020* rating. Banks of 2020 rating posted JSB "CLEARING HOUSE" as **number 8** in *PREMIUM BANKING* nomination and **number 10** in *MORTGAGE CREDITING* nomination in the *Banks with Private Ukrainian Capital* category. Besides, based on its performance, JSB "CLEARING HOUSE" holds position 33 of the 50 leading Ukrainian banks.

50 leading Ukrainian banks project is the annual independent review of Ukrainian banking sector, selecting 50 leading Ukrainian banks and Top 10 banks in different sectors and lines of banking services. The purpose of this rating is to demonstrate best banks in products and services, disclosing their most promising projects and portfolios to big, medium and small business, as well as individuals. The review covers all banks operating in Ukraine, excluding insolvent ones. Methodology of the review is based on assigning of points to the banks in different segments of banking services.

5. Corporate governance report

Corporate governance of Public Joint-Stock company «Bank «CLEARING HOUSE» is based on the provisions, set by Civil and Business Codes of Ukraine, Laws of Ukraine *On Banks and Banking Activities, On Joint Stock Companies, On Securities and Stock Exchange Market*, other laws, rules and regulations of NBU, National Committee of securities and stock exchange, Statute, Code of corporate governance of Public Joint-Stock company «Bank «CLEARING HOUSE», decisions of general meeting of shareholders, Supervisory Board and the Board of the Bank.

Code of corporate governance of Public Joint-Stock company «Bank «CLEARING HOUSE» is published at the website of the Bank:

https://www.clhs.com.ua/storage/app/media/docs/about/Informatsiia_Emitenta/kod%D0%B5ks_korporatyvnoho_upravlinnia.pdf

In 2020, the Bank fully complied with principles of the Code of corporate governance without any deviations from the requirements of the Code.

Major methods of corporate governance in the Bank are:

- Rational and clear segregation of powers between management and control bodies, organization of their efficient functioning;
- Setting of strategic goals for the Bank and control over their implementation (including introduction of efficient systems of planning, risk management and internal control);
- Control over prevention, detection and settlement of conflicts of interests, which may arise between shareholders, members of Supervisory Board or the Board, employees, creditors, depositors, other clients and counterparts;
- Setting of rules and procedures to ensure compliance with the professional ethics principles;
- Setting of rules and control over disclosure of Bank-related information.

Share capital and shareholders

Share capital of the Bank is UAH 510 392 935,00.

Share capital of the Bank is comprised of 48 173 registered shares, or 100% of their total quantity, par value of share is UAH 10 595,00.

Form of shares is paperless.

As at January 1, 2020, 7 legal entities and 2 natural persons are the shareholders of the Bank. Legal entities – shareholders own 82,2971% of share capital of the Bank, while natural persons – shareholders own 17,7029% of share capital.

The ultimate owners of material interests in the Bank are:

Liovochkina Yuliia Volodymyrivna – bank controller who indirectly owns 60.3453% of Bank's shares.

Resolution No 154 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank as of 23.03.2016.

Fursin Ivan Hennadiiovych who owns in total 27,9742% of shares in the Bank, including direct ownership of 10.7654% and indirect ownership of 17,2088%.

Resolution No 153 of the Committee of the National Bank of Ukraine On Banking Supervision and Regulation, Payment System Oversight on the consent to the acquisition of a qualifying shareholding in the Bank as of 23.03.2016.

Governance and Control bodies of the Bank

Governance bodies of the Bank are:

- General meeting of shareholders of the Bank;
- Supervisory Board;
- Management Board.

Control bodies of the Bank are:

- Internal audit department;
- Risk management department;
- Compliance department.

General meeting of shareholders

Highest governance body of the Bank is General meeting of shareholders.

General meeting of shareholders conducts general governance of Bank activities, setting objectives and strategy of development of the Bank.

The sole competence of General meeting of shareholders of the Bank includes decisions on:

- 1) setting major lines of business and approving reports on their implementation;
- 2) introduction and changes and amendments into Statute of the Bank;
- 3) revocation of shares;
- 4) change of type of joint-stock company;
- 5) placement of Bank shares, placement of other securities with the value higher than 25% of the value of the Bank's assets;
- 6) increase of stated capital of the Bank;
- 7) decrease of stated capital of the Bank;
- 8) splitting or consolidation of shares;
- 9) approval of regulations on General meeting of shareholders, Supervisory Board, the Board, remuneration of Supervisory Board members, as well as introduction of changes and amendments into those regulations;
- 10) approval of annual results of Bank operations, Supervisory Board report, Board report, external audit conclusions and approval of measures to be taken based on results of deliberation over the above reports and conclusions;
- 11) distribution of profit and coverage of losses of the Bank;
- 12) redemption of stock by the Bank;
- 13) approval of annual dividends;
- 14) election of Chairman and members of Supervisory Board, approval of civil-law or labor contracts to be signed with them, setting their remuneration, including incentives and compensations, appointment of a person authorized to sign contracts with members of Supervisory Board of the Bank, approval of report on remuneration of Supervisory Board members;
- 15) termination of powers of Chairman and members of Supervisory Board;
- 16) termination and liquidation of the Bank, appointment of liquidation committee, approval of rules, procedures and terms of liquidation, rules of distribution of assets, remained after meeting of creditors' claims, and approval of liquidation balance sheet;

- 17) taking decisions based on deliberation over reports of Supervisory Board and the Board of the Bank;
- 18) approval of principles (code) of corporate governance of the Bank;
- 19) appointment of Bank termination committee;
- 20) based on appeal of Supervisory Board of the Bank, taking decision on entering into a material agreement, if market value of assets or services under the agreement are higher than 25 % of the value of Bank's assets in accordance with latest financial statements of the Bank;
- 21) taking decision on non-use of preferential right of shareholders to purchase shares of additional issue during their placement;
- 22) appointment of members of counting board, taking decisions on termination of their powers;
- 23) other issues of sole competence of General meeting in accordance with the Statute or regulations of General meeting of shareholders of the Bank, brought by Supervisory Board or the Board of the Bank for consideration of the General Meeting of shareholders, except for those, which under the law or Statute of the Bank, are the sole competence of the Supervisory Board of the Bank.

In 2020, General meetings of shareholders took decisions on the following issues:

- Setting major lines of business for the JSB "CLEARING HOUSE";
- Review of report of the Board on the performance of Public Joint-Stock company «Bank «CLEARING HOUSE» in 2019;
- Review of report of the Supervisory Board on the performance of Public Joint-Stock company «Bank «CLEARING HOUSE» in 2019;
- Review and approval of the reports and independent auditor's report and the measures to be taken based of the results of review of audit firm report;
- Review and approval of 2019 annual financial statements of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Distribution of 2019 profit and loss;
- Termination of powers of Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Election of members of Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE»;
- Election of members of counting board for General Meeting;
- Approval of matters of procedures doe regular General Meeting of shareholders.

Supervisory Board

Supervisory Board of the Bank is governing and controlling body, protecting interests of depositors, other creditors and Bank shareholders, which, within the framework of their competence, set by Statute and Ukrainian law, governs the Bank, controls and regulates the Board of the Bank.

Supervisory Board takes all necessary measures to prevent the conflict of interests in the Bank and assists in their settlement. Supervisory Board informs NBU on the conflict of interests in the Bank, if any, and provides for actual cooperation with NBU.

In accordance with decision of General meeting of shareholders №42 of 25.06.2020, Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE» was elected for 3-year period, consisting of:

Chair of Supervisory Board:

- Viktor V. Vorobiov – representative of a shareholder – MONIER INDUSTRIAL GROUP LLC

Members of Supervisory Board:

- Iryna P. Koleda - representative of a shareholder – MONIER INDUSTRIAL GROUP LLC;
- Volodymyr L. Krotiuk - representative of a shareholder – MONIER INDUSTRIAL GROUP LLC;
- Oleksandr V. Kyrychenko - independent member of Supervisory Board;
- Hanna T. Karcheva - independent member of Supervisory Board;
- Nadia P. Stadnik - independent member of Supervisory Board.

The sole competence of Supervisory Board includes:

- 1) approval of strategy of the Bank's development in accordance with major lines of business, stated by General meeting of shareholders of the Bank;
- 2) approval of Bank's budget, including budget of internal audit department;
- 3) approval of business plan for Bank's development;
- 4) development and approval of strategy and policies of risk management, procedures of risk management, list of risks and their limits;
- 5) provision for functioning of internal controls system and control over its efficiency;
- 6) control of efficiency of risk management system;
- 7) approval of the plan of restoration of Bank's operations;
- 8) determination of sources of capitalization and other financing of the Bank;
- 9) establishment of credit policies of the Bank;
- 10) provision for timely presentation (publication) of reliable information on Bank's operations by the Bank in accordance with Ukrainian law;
- 11) selection of organizational structure of the Bank, including structure of internal audit department;
- 12) approval and introduction of changes into internal rules, regulating work of structural departments of the Bank;
- 13) calling of General meeting, preparation of its agenda, taking decision on its date and inclusion of proposals into agenda of General meeting;
- 14) information of shareholders on General meeting, including the date of preparation of the list of Bank's shareholders, who must be informed about General meeting and have the right to take part in the meeting;
- 15) taking decision on regular and extraordinary General meetings at the request of shareholders or at the proposal of the Board;
- 16) taking decision on sale of redeemed shares;
- 17) taking decision on issuance of other securities by the Bank;
- 18) taking decision on redemption of other securities by the Bank;
- 19) approval of market value of assets in cases, set by Ukrainian law;
- 20) control over operations of the Board, offer of proposals to improve it;
- 21) appointment and discharge of Chairman and members of the Board;
- 22) approval of terms of civil-law, labor contracts to be signed with members of the Board, amount of their remuneration, including incentives and compensations;
- 23) taking decision of suspension (temporary) of Chairman of the Board from his/her powers and election of a person to act as Chairman of the Board, members of the Board;
- 24) appointment and discharge of heads of internal audit department, risk management department, compliance department of the Bank;

- 25) approval of terms of civil-law, labor contracts to be signed with heads of internal audit department, risk management department, compliance department of the Bank, amount of their remuneration, including incentives and compensations;
- 26) approval of rules and procedures and plans of work of internal audit department, and control over its work;
- 27) control over work of risk management department and compliance department;
- 28) appointment of audit firm to perform external audit of the Bank, approval of terms of the contract on audit, determination of the service fee;
- 29) deliberation over conclusions of external auditor of the Bank and development of recommendations for General meeting regarding decision on auditor's conclusions;
- 30) control over correction of deficiencies, identified by NBU and other state bodies, which, within the limits of their competence, oversee Bank's operations, internal audit department and audit firm. Based on the results of independent audit;
- 31) determination of the date of preparation of lists of persons, entitled to dividends, procedures and terms of payment of dividends within the time limits, set by law;
- 32) decisions on participation of the Bank in bank groups, unions and associations, establishment of other legal entities;
- 33) decisions on merger, acquisition, division, segregation or reorganization of the Bank;
- 34) decision on entering into significant contract, if market value of assets and services, covered by the contract, is 10 - 25 % of assets' value as per latest annual financial statements of the Bank;
- 35) decision on entering into a contract of interest;
- 36) determination of probability of insolvency of the Bank, resulting from its acceptance of liabilities or compliance with them, including payment of dividends or redemption of shares;
- 37) decision on selection of appraiser of Bank's assets and approval of term of the contract to be signed with the appraiser and service fee;
- 38) decision on selection (replacement) of depository and/or clearing entity and approval of term of the contract to be signed and service fee;
- 39) in cases, set by law, sending offers to Bank's shareholders on purchase of their shares;
- 40) decision on engagement of appraiser during transactions with securities, issued by the Bank;
- 41) decision on establishment, reorganization or liquidation of affiliates, branches and representative offices of the Bank, approval of their statutes and regulations;
- 42) approval or rules and procedures of transactions with the related parties;
- 43) other functions, as set by Ukrainian law.

Issues of the sole competence of Supervisory Board may not be solved by other bodies of the Bank, except for General meeting and in cases, set by Ukrainian law.

Supervisory Board of the Bank has a right to include any issue within its sole competence, as set by law or Statute, into agenda of General meeting.

Competence of Supervisory Board includes:

- Appointment and discharge of manager responsible for internal financial monitoring for prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon, in accordance with NBU rules and regulations. The candidate for the position shall be agreed with NBU;
- Decision on maximal number of employees and payroll of the Bank;

- Appointment of registration committee and the secretary of General meeting of shareholders, called by Supervisory Board;
- Authorization of relevant person to chair General meeting of shareholders;
- Development of terms of contracts on merger (acquisition) or plans of division (segregation, reorganization) of the Bank and approval of the project;
- Preparation of explanations of terms of contracts on merger (acquisition) or plans of division (segregation, reorganization) of the Bank and approval of the project;
- Approval of draft statute of the Bank to be established by merger;
- Other powers delegated by General meeting of shareholders.

Supervisory Board may establish committees, consisting of its members, to study the issues within its competence and prepare them for consideration at its meetings, e.g., Supervisory Board committees on appointments, remuneration, risks, audit, etc.

In 2019, there were 80 meetings of Supervisory Board, 1 of which was common with the Management Board of the Bank, while 4 were held by secret ballot.

Supervisory Board considered the following:

- Review and approval of new versions / amendments of top-level regulations on risk management;
- Review of PKF UKRAINE LLC independent auditor's report and 2019 management report;
- Review and approval of updated limits for major risks for the Bank; approval of new version Declaration of predisposition to risks of JSB "CLEARING HOUSE";
- Review and approval of amendments to Rules of related-party transactions of JSB "CLEARING HOUSE";
- Review of 2019 Annual report of the Issuer;
- Approval of 2021 – 2023 Business plan of the Bank;
- Approval of 2021 Bank budget;
- Together with the Board – corrective measures based on results of NBU inspection;
- Approval of plans of audits by internal audit service;
- Review and approval of new version of JSB "CLEARING HOUSE" Policies of prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon;
- Review and approval of updated limits for major risks for the Bank;
- Review and approval of new version of Policies of management reporting of JSB "CLEARING HOUSE";
- Review and approval of amendments in internal risk management regulations of the Bank;
- Review and approval of changes in *Plan of actions on implementation of recommendations and compensatory measures, stated in Report on inspection of JSB "CLEARING HOUSE" by National Bank of Ukraine in 2019*;
- Review and approval of amendments to Rules of assessment of correspondence of top management and heads of controlling departments of JSB "CLEARING HOUSE" with eligibility criteria;
- Review and approval of 2020 Report on compliance of the Chair and members of Supervisory Board of JSB "CLEARING HOUSE" with eligibility criteria, independent directors with independence requirements; 2020 Report on compliance of the Chair and Members of Management Board (including the official responsible for financial monitoring), Chief accountant and deputy Chief accountant of JSB "CLEARING HOUSE" with eligibility criteria; 2020 Report on compliance of head of Internal audit service, head of risk-management department, head of compliance department of JSB "CLEARING HOUSE" with eligibility criteria;

- Updating current and approval of new internal Bank regulations in accordance with Supervisory Board competence;
- Review and approval reports on Bank operations and compliance with Bank budgets in 2019 and 2020;
- Review of reports Bank internal audit department;
- Review of reports of compliance risks;
- Review of reports on internal control system monitoring;
- Review of reports on risk monitoring;
- Review and approval of 2020 plan of inspections by Compliance service;
- Approval of changes in Corporate structure of the Bank;
- Review and approval of Regulation on Bank departments;
- Review and approval of new internal Bank regulations regarding powers of the Supervisory Board;
- Approval of agenda of regular General meetings of shareholders, format and texts of bulletins, and decisions of other issues of Bank operations.

Management Board of the Bank

Management Board manages everyday operations of the Bank, formation of the funds, accumulation of fixed assets, necessary for operations of the Bank in accordance with its statute, being responsible for efficiency of the Bank in accordance with rules and principles set by Statute, decisions of General meeting of shareholders and Supervisory Board of the Bank.

Number of members of Management Board is set by Supervisory Board of the Bank, and it cannot have less than 5 (five) members. Composition of the Board is approved by Supervisory Board of the Bank based on proposals of Chair of Management Board.

Management Board of the Bank comprises:

- Viktoria O. Andreevska – Chair;
- Natalia G. Bryzhnik – deputy Chair;
- Mykola I. Onyschenko – deputy Chair;
- Liudmila L. Melenchuk – deputy Chair;
- Oleksandra O. Markina – Chief accountant;
- Pavlo Ye. Bassak – member of Board – head of financial monitoring function.

As at January 1, 2020, officials of the Bank do not own shares of Public Joint-Stock company «Bank «CLEARING HOUSE».

Management Board is accountable to General meeting of shareholders, Supervisory Board and provides for implementation of their decisions. Management Board operates in accordance with Statute of the Bank and Regulations of Management Board.

Management Board takes steps to develop and implement Regulation of processes of determination of related parties of Public Joint-Stock company «Bank «CLEARING HOUSE», approved by Supervisory Board of the Bank.

Management Board takes decisions on all issues of everyday operations of the Bank, except for those within the competence of General meeting of shareholders and Supervisory Board, namely:

- 1) development of draft budget of the Bank, strategy and business plans of development of the Bank for approval by Supervisory Board;
- 2) implementation of strategy and business plan of Bank's development;
- 3) determination of the form and rules of monitoring of Bank activities;

- 4) implementation of strategy and risk-management policies, approved by Supervisory Board, provision for implementation of procedures of identification, assessment, control and monitoring of risks;
- 5) formation of organizational structure of the Bank, approved by Supervisory Board, selection and training of personnel, management of structural and separated segments of the Bank;
- 6) development of provisions, regulating activities of structural and separated segment of the Bank in accordance with its strategy of development;
- 7) provision of security of Bank's IT systems and systems, used to safeguard clients' assets;
- 8) communication of information on Bank's performance, identified violation of laws, internal rules of the Bank and any deterioration of Bank's financial position or a threat of deterioration, level of risks, arising during Bank's operations, to Supervisory Board;
- 9) conduct of Bank operations, entering into interbank or other contracts in accordance with Statute of the Bank, NBU general license on currency transactions, accounting, reporting and organization of internal controls;
- 10) implementation of decisions of General meeting of shareholders, Supervisory Board, own decisions and orders;
- 11) provision of compliance with current laws, rules and regulations of NBU and National Committee on Securities and Stock Exchange by Bank employees;
- 12) approval of rules, programs, regulations, plans, instructions and all other internal regulatory documents of the Bank, approval of which is not the sole competence of General meeting and Supervisory Board.

Chair of Management Board is appointed by Supervisory Board.

Chair of Management Board has a right to act in the name of the Bank without Power of Attorney, including representation of Bank interests, in the name of the Bank sign contracts, which are not prohibited by Ukrainian law, Statute of the Bank and are not within the sole competence of General meeting of shareholders or Supervisory Board of the Bank, issue orders and commands, mandatory for all personnel of the Bank, issue Powers of Attorney to other persons, who under Ukrainian law may act as Bank representatives.

Chair of Management Board organizes work of Management Board, calls its meetings, ensures keeping of minutes of Management Board meetings.

Chair of Management Board has a right to take part in meetings of Supervisory Board with advisory vote.

Management Board establishes standing committees to manage risks, namely, credit committee, assets and liabilities management committee, and other committees.

In 2020, Management board of the Bank held 223 meetings, 1 of which was held together with Supervisory Board of the Bank.

Management Board considered the following:

- review of Bank performance in 2020;
- control of performance of the Bank and compliance with 2020 budget;
- development of 2021-2023 Business plan of the Bank;
- review of 2021 budget of the Bank;
- review of reports on results of monitoring of business risks of the Bank and results of monitoring of efficiency of Bank internal control system;
- review of reports of internal audit service and implementation of recommendations based on audits;
- approval of the list of related parties of the Bank;

- Updating current and approval of new internal Bank regulations;
- Introduction of new Bank products and changes into existing products;
- Approval of job descriptions for Bank employees;
- Approval of updated and new internal Bank regulations on powers of Management board;
- Approval of Program of training and continuing education of Bank employees on risk management;
- Decisions on alienation and acquisition of property and decisions on other issues of Bank operations.

Rules of appointment and discharge of Bank officials

Election and termination of powers of members of Supervisory Board is based on decision of General meeting of shareholders. In accordance with Law of Ukraine *On Joint Stock Companies*, members of Supervisory Board are elected by cumulative vote, while termination of powers and election of Chair of the Supervisory Board of the Bank is based on majority of votes of shareholders, registered for participation at the general meeting, who are owners of voting shares.

Election and termination of powers/discharge of Chair and members of Management Board of the Bank (including deputy Chairs) is the sole competence of Supervisory Board of the Bank. Decisions are taken by simple majority of votes of members of Supervisory Board with voting power, taking part at the session. If the votes of members of Supervisory Board are equal, the vote of the Chair of Supervisory Board is decisive.

Internal audit department

Internal audit department of the Bank is a standing department, which is a component of internal control system of the Bank. Professional qualifications of the head and employees of the department must comply with NBU requirements.

Internal audit service operates in accordance with approved internal regulations of the Bank. The service reports to NBU on its work twice a year and once a year – to Supervisory Board. Work of internal audit service in 2020 was recognized as satisfactory.

In accordance with Regulation on organization of risk management system in Ukrainian banks and bank groups, approved by Decree of NBU Board N 64 of June 11, 2018, and Regulation on organization of internal control system in Ukrainian banks and bank groups, approved by Decree of NBU Board N 88 of July 2, 2019, internal audit service of the Bank is the subject of risk management system and subject of internal control system of the Bank. In three-line protection model, internal audit service of the Bank is the third line, providing for review and evaluation of efficiency of functioning of risk-management system; independent evaluation of efficiency of functioning first and second protection lines, as well as overall evaluation of efficiency of internal control system.

Internal audit department, acting as third protection line:

- 1) reviews existence and efficiency of risk management systems, correspondence of the systems to types and scopes of Bank transactions, and internal control of the Bank;
- 2) reviews process of assessment of adequacy of capital taking into account the risks of the Bank;
- 3) monitors compliance of managers and employees of the Bank with laws and internal Bank regulations, approved by Supervisory Board;
- 4) assesses IT support of control and performance of transactions;
- 5) reviews correctness and reliability of accounting and financial reporting;
- 6) reviews financial and business activities of the Bank;

- 7) reviews correspondence to qualification requirements and compliance with professional duties of Bank employees;
- 8) identifies and reviews cases of abuse of authorities by Bank officers and conflict of interests in the Bank;
- 9) reviews reliability and timeliness of presentation of information to state bodies, supervising Bank activities within limits of their competence;
- 10) evaluates activities of the Bank, outsourced to legal entities or natural persons on contractual basis;
- 11) based on the results of reviews, prepares and present reports (conclusions) and proposal (recommendations) on correction of identified violations to Supervisory Board;
- 12) performs other functions, related to supervision and control over Bank activities.

Internal audit department is accountable to Supervisory Board, acting on the basis of regulations approved by Supervisory Board.

Internal audit service offered recommendations to management, based on the results of audits performed, on improvements in internal-control and risk-management systems, corporate governance. Reports on results of audits were presented to Supervisory and Management Boards of the Bank.

Organization of internal control system

Taking into account recommendations of Basel committee on banking supervision, rules and regulations of National Bank of Ukraine, the Bank provided for functioning of integral, efficient and adequate internal control system..

Internal control system is integrated into corporate management system of the Bank through:

- establishment of respective organizational structure;
- establishment of powers, subordination, accountability and segregation of duties of persons, engaged in functioning of internal control system, their responsibilities and procedures of interactions in internal documents, regulations on collegial bodies and structural departments of the Bank.

Internal control system of the Bank:

- includes the following components: control environment; inherent Bank risk management, including compliance risk; control activity in the Bank; control over information flows and communications of the Bank; monitoring of efficiency of internal control system of the Bank;
- provides for achievement of operating, information, compliance goals of Bank operations;
- is implemented at each organizational level of the Bank.

Internal control system of the Bank is based on segregation of duties between bank departments except for functions within the sole competence of Supervisory and Managements Boards of the Bank, Bank committees in accordance with Ukrainian laws, rules and regulations of National Bank of Ukraine and internal Bank regulations.

This segregation is based on three-line protection model, namely:

- first protection line – at the level of business and support departments of the Bank. These departments initiate, execute or disclose transactions, accept risk in their work process being responsible for current management of these risks and performing control measures within their competence;
- second protection line – at the level of Risk management department and Compliance service minimal requirements to which are set by Regulation on organization of internal control system in Ukrainian banks and bank groups, approved by Decree of the Board of National Bank of Ukraine № 64 of 11.06.2018. These departments provide assurance to Bank management that risk-control and management measures, done by first protection line and designed and operate properly;
- third protection line – at the level of Internal audit service, independently evaluating efficiency and adequacy of functioning of risk-management and internal-control systems, functioning of risk-management and compliance risk, taking into account requirements, set by Regulation on organization on internal audit in Ukrainian banks, approved by Decree of the Board of National Bank of Ukraine №311 of 10.05.2016.

General strategy, principles and approaches to organization and design of internal control system are set by Policies of internal control system of Public Joint-Stock company «Bank «CLEARING HOUSE», approved by Supervisory Board of the Bank.

Organization of risk management system

Taking into account recommendations of Basel committee on banking supervision, rules and regulations of National Bank of Ukraine, the Bank provided for functioning of integral, efficient and adequate risk management system.

The Bank makes an integral assessment of the defined material risks, inherent to Bank activities: credit risk, liquidity risk, interest rate risk, market risk, operating risk (including information risk) and compliance risk.

When assessing all types of risks, the Bank takes into account risk of concentration.

Major goals of risk management system are:

- Identification and assessment of risk level of materiality;
- Assessment, aggregating and forecast of risk levels;
- Setting limits of the risks;
- Monitoring and control of scope of risk accepted, implementation of measures to reduce the risk in order to keep it within present internal / external range;
- Compliance with mandatory norms and limits set by regulator;
- Assessment of adequacy of financial resources to cover significant risks, inherent in Bank business (taking into account realization of stress scenarios);
- Strategic planning, taking into account the level of accepted risk;
- Informing Supervisory Board, Board, committees and other collegial bodies, established by Bank Board, departments, engaged in risk acceptance/management process, on significant risks and adequacy of Bank capital;
- Development of risk culture and competences regarding risk management.

Risk management policies are integral part of business planning and budgeting of Bank, aimed at:

- Ensuring / maintaining proper level of risk within the range of approved level of risk appetite and / or other limits and ranges;
- Provision of adequacy of capital to cover significant risks;
- Ensuring financial stability of the Bank and minimization of potential financial losses;
- Ensuring effective allocation of resources to optimize risk / profitability ratio;
- Ensuring going concern and planning of optimal business management of the Bank, taking into account possible stress situations;
- Prevention of cases of untimely and / or incomplete meeting of Bank obligations towards creditors and depositors;
- Improvement of risk management system, taking into account laws and regulations, internal and external factors, influencing Bank activities;
- Optimization of risk management processes at all organizational levels, ensuring timely detection of all significant risks;
- Assessment of risks and introduction of respective limiting measures;
- Effective cooperation of Bank departments in risk management processes and formation of provisions for possible losses;
- Compliance with internal procedures and powers in decision making.

Organizational structure of the Bank foresees distribution of functions, duties, powers and responsibilities between Bank departments in accordance with principle of 'three lines of defense'; for this purpose, the Bank uses continuous process of exchange / receipt / provision of necessary information from internal and external sources. Continuity of the process implies use of the following mechanisms to support risk management processes:

- Information, analytical and technological systems as source of information and means of its transfer;
- Internal and external communications regarding Bank risk management;
- Regular reporting to Supervisory Board, Board and committees of the Bank, established by the Board, in line with their lines of risk-related responsibilities, on results of operations and compliance with risk management culture of the Bank.

The Bank maintains a set mechanism of exchange / transfer of information on risk management 'down-upward' (from employees to managers) and 'top-downward' (from managers to employees) for whole organizational structure of the Bank and assesses the risks by 2 major parameters: probability of risk realization and level of risk influence. Quantitative and qualitative methods and tools of risk assessment are selected depending on type of risk, based on internationally accepted practices, when the Bank assesses the risks individually and as a group, taking into account interactions of risks and their concentration.

Disposition to financial/non-financial risks

The Bank regularly reviews its level of disposition to risks and sets risk appetite as an aggregate for all type of risks and as individual index for separate risks, defined in advance, within the range of admissible risk, covered by the Bank decision on expediency of compliance with them in order to achieve strategic goals and implement business plan of the Bank.

Significant risk factors, affecting the financial institution during the year were:

- High concentration of deposits of largest creditors in Bank liabilities;
- Short-term placement funds of clients dominate in resource base of the Bank.

During the reporting period, the Bank complied with prudential requirements of National Bank of Ukraine. No violations of internal limits for major quantitatively measurable risks were identified..

The Bank has low aggregated risk appetite, as confirmed by results of stress testing by types of inherent material risks of the Bank.

Information on facts of violations internal rules by members of Supervisory and Management Boards, resulting in losses of the Bank or Bank clients

There were no facts of violations internal rules by members of Supervisory and Management Boards, resulting in losses of the Bank or Bank clients.

Fines and penalties applied to the Bank, including members of Supervisory and Management Boards by state bodies

In 2020, the Bank was fined by UAH 8.5 thousand by decision of National Commission of securities and stock exchange №112-ДП-3Б of 25.06.2020.

In 2020, no fines and penalties were applied members of Supervisory and Management Boards of the Bank.

Protection of rights of consumers of financial services

Public Joint-Stock company «Bank «CLEARING HOUSE» approved the rules of office work with appeals of citizens, setting the respective procedures, to ensure protection of rights of consumers of financial services.

Review and settlements of clients' appeals, replies based on the results of review is the responsibility of a structural department of the Bank, which competence covers the respective issue.

The Bank implemented a mechanism of confidential notification on improper conduct, said mechanism being set by Rules of confidential notification on improper conduct in the bank (whistleblowing policy mechanism), approved by Minutes of the meeting of Supervisory Board of the Bank №12 of February 15, 2019.

Appeals with notification on improper conduct are reviewed by Compliance department, while other departments may be also engaged, if necessary.

The Bank recognizes each appeal as a possibility to further improve its work, quality of services and level of satisfaction of clients.

There were no complaints or appeals of the clients to the Bank in 2020.

As at the end of 2020, there were no court appeals by the clients against the Bank caused by provision of financial services.

The Bank steadily complies with legal requirements to protection of consumers' rights, implementing requirements of Regulation on provision of information on bank and other financial services by banks, approved by Decree of the Board of National Bank of Ukraine № 141 (with changes) of November 28, 2019.

Other information on governing and managing bodies of the Bank

Remuneration of members of Supervisory Board and Management Board of the Bank in 2020 was UAH 16,63

There were no facts of violation of internal regulations by members of Supervisory Board and Management Board in 2020, resulting in losses of the Bank or its depositors or other creditors, and facts of application of penalties for violation of banking laws and laws on prevention and counteraction of legalization (money laundering) of illegal revenues, financing of terrorism, financing of proliferation of mass destruction weapon, rules and regulations of NBU, or engagement in risky activities, threatening interests of depositors or other creditors of the Bank, and/or stability of banking system by state bodies (in particular, National Bank of Ukraine, over members of Supervisory Board and Management Board of the Bank. Besides, there were no decisions of the committees or decrees of the NBU Board on non-compliance of members of Supervisory Board and the Board of the Bank with requirements as to business reputation, independent directors and / or requirements of independence, or other violations by Bank officers, set by art. 42 of Law of Ukraine *On Banks and Banking Activities*.

Transactions with related parties are disclosed in Note 30 to 2020 annual financial statements of Public Joint-Stock company «Bank «CLEARING HOUSE».

There were no facts of alienation and purchase-sale of assets during the year over the scope, set by Statute of the Bank.

There were no facts of issuance of derivatives or entering into contracts on derivatives by issuer in 2019.

There is no information on any limitations of rights of participation or voting rights of shareholders at general meetings of the Issuer.

External auditor

Supervisory Board of Public Joint-Stock company «Bank «CLEARING HOUSE» (minutes of Supervisory Board № 31 of 21.09.2018), appointed PKF UKRAINE LLC as the external auditor.

PKF UKRAINE Limited Liability Company operates in the audit-services market for 13 years. PKF The audit firm is registered in *Subjects of audit activities, having the right to act as statutory auditor of public interest entities* section of the Register of auditors and subjects of audit activities. Registration number in the Register is 3886.

Other audit services, provided by PKF UKRAINE LLC to the Bank during the year in addition to statutory audit of annual financial statements, included:

- sustainability assessment (assets quality review and acceptability of collateral under credit operations) as at 01.01.2020 in accordance with Decree of NBU Board № 141 of December 22, 2017, *On Assessment of Sustainability of Banks and Banking System of Ukraine* (with changes and amendments).

External auditor applied the following recommendations:

- art. 40¹ of Law of Ukraine On Securities and Stock Exchange
- art. 12² of Law of Ukraine On Financial Services and State Regulation of Financial Services Market
- On application of and compliance with requirements of Decision of SCSSE № 160 of 12.02.2013 *On Approval of Requirements to Auditor's Conclusion Presented to National Committee on Securities and Stock Exchange for Issuance of License on Professional Activities on Securities Market*

- On application of and compliance with requirements of Decree of NBU Board №90 *On Approval of Regulations On Rules of Filing of Auditor's Report Based on Results of Audit of Annual Financial Statements by Banks* of August 2, 2018
- On application of and compliance with requirements of Decree of NBU Board №373 *On Approval of Regulations on Preparation and Publication of Financial Statements by Ukrainian Banks* of October 24, 2011.

Rotation of auditors of the financial institution during last five years complied with requirements of Ukrainian law.

There were no penalties imposed on the auditor by Chamber of Auditors of Ukraine in 2019. There were no facts of filing of misstated financial statements, confirmed by auditor's opinion, identified by regulators of financial services markets.

There were no cases of conflict of interests and/or combining functions of internal auditor.

6. Economic environment

The Bank operates in Ukraine, where economic environment is open and viewed as market with certain characteristics of transitional economies. Ukrainian economy greatly depends on world prices for raw materials and has low liquidity on capital markets. In this situation, banking in Ukraine is characterized by increased risks, which are not typical for advanced markets.

In case of Ukraine, external position and fiscal stability significantly improved during recent years, although the risks are still high, taking into account delays in official financing, in particular, by IMF, internal political cycle and high susceptibility to changes in external environment.

3 The economic situation started to stabilize in the second half of 2016.

In 2019, in the absence of significant turbulence, the economy continued to restore, while GDP grew by close to 3,3% (in 2018 GDP grew by 3,3%).

Major drivers were increase of consumers' demand at the background of increase of salaries, pensions and improvement of consumer's appetite together with rapid increase of investments. It caused growth of trade, transportation, construction and several services sectors. New record harvest of grain and oil-seed crops was an important driver for increase of GDP and export.

At the same time, introduction of quarantine in Ukraine and overall international limitations dropped Ukrainian GDP by UAH 93,2 billion in the 2nd quarter of 2020 compared to similar period of 2019, while in 1 – 3 quarters of 2020 went down by UAH 107 billion or 3,7%.

In 2019, UAH strengthened by 5,7% in relation to USD and 10,6% in relation to EUR compared with average figures of the previous year. Still, instability of economic environment in 2020 caused devaluation of UAH by 19,37 % in relation to USD compared to the beginning of the year.

Consistent monetary policies of National Bank of Ukraine, combined with reasonable fiscal policies of the government, created an environment with low and stable inflation. E.g., consumers' inflation in 2019 went down to 4.1% (2018 inflation was 9.8%). Inflation index for f12 months of 2020 was 5 %.

Due to rapid improvement of macroeconomic situation in the country, National Bank of Ukraine continued to relax its monetary policies, reducing reference rate down to annual 13.5% by the end of 2019. At the same time, in June 2020, the rate went down to 6%. Decrease of key rate and prospects of further decrease resulted in decrease of profitability of Internal State Loan Bonds and majority of UAH rates for banks' customers.

Banking sector continued to be profitable in 2020. Profit of Ukrainian commercial banks in 2020 was UAH 41,3 billion, or UAH 18,3 billion less than in 2019 (2019 net profit was UAH 59,6 billion). Operating income of banking sector in 2020 was UAH 74,5 billion or UAH 1,7 billion less than in 2019. Provisions under active transactions increased from UAH 11,9 billion in 2019 to UAH 29,7 billion in 2020.

Major drivers of profitability for the banking sector are retail credits and customer services.

Changes of economic environment in 2019 and 2020 resulted in changes of sovereign credit rating of Ukraine and increase of international reserves of Ukraine (USD 29.1 billion as at January 1, 2021).

In June 2020, Moody's Investors Service rating agency increased rating of long-term issuer and priority unsecured liabilities of Ukraine from Caa1 to B3 with 'stable' forecast.

In September 2020, Standard & Poor's international rating agency confirmed sovereign credit rating of Ukraine at 'B' level with forecast 'stable'.

At the same time, in September 2020, Fitch international rating agency ('B' rating) confirmed sovereign credit rating of Ukraine at 'B' level and decreased its forecast from 'positive' to 'stable'.

Level of microeconomic uncertainty in Ukraine in 2020 continues to be high due to high national debt payable in 2019 - 2020, requiring mobilization of significant internal and external financing in the situation, when developing countries face problems with sources of financing.

Further prospects for development depend on the efficiency of reforms, implemented in Ukraine, efficient cooperation with IMF economic policies of Ukrainian government and positive changes in legal, tax and political areas.

In early 2020, COVID-19 coronavirus started to spread through the world, causing pandemics. The countries had to introduce drastic measures to stop the spread, resulting in significant operating problems for many businesses and materially affecting world financial markets. COVID-19 may materially affect many businesses in different industries. Moreover, the level of effect is undeterminable. Materiality of COVID-19 effect on operations of the Bank greatly depends on length and spread of effect of the virus on international and Ukrainian economies.

Key risks for macrofinancial stability is continuing coronavirus pandemics and subsequent toughening of quarantine measures, escalation of military conflict in Eastern Ukraine, forecasted decrease in grain and fruits and vegetables crops in Ukraine, caused by unfavorable weather conditions, increasing volatility of world foods prices, caused by global climatic changes, decrease of inflow of foreign capital. Realization of these risks may negatively affect exchange rate and inflation expectations, complication access to international capital markets when peak debt payments have to be made.

As a result of the presence of above factors, Ukrainian banks aim, first of all, to stabilize their capitalization and profitability, ensure liquidity and solvency, improve quality of assets in order to comply with the standards, set by NBU. Management monitors current developments with coronavirus and quarantine, taking necessary steps to minimize any negative effects as far, as possible.

7. Operating results

Year of 2020 was the year of growth of financial stability and efficiency for Public Joint-Stock company «Bank «CLEARING HOUSE».

The Bank keeps high level of capitalization. As at the end of 2020, actual regulatory capital amounted to **UAH 553 4 million**, which is significantly higher than required by existing standards, set by National Bank of Ukraine, thus providing for adequacy of capital at the level of **20,1%** while the minimal level is 10%. Basic capital is **UAH 487,2 million** or more than **88%** of total regulatory capital.

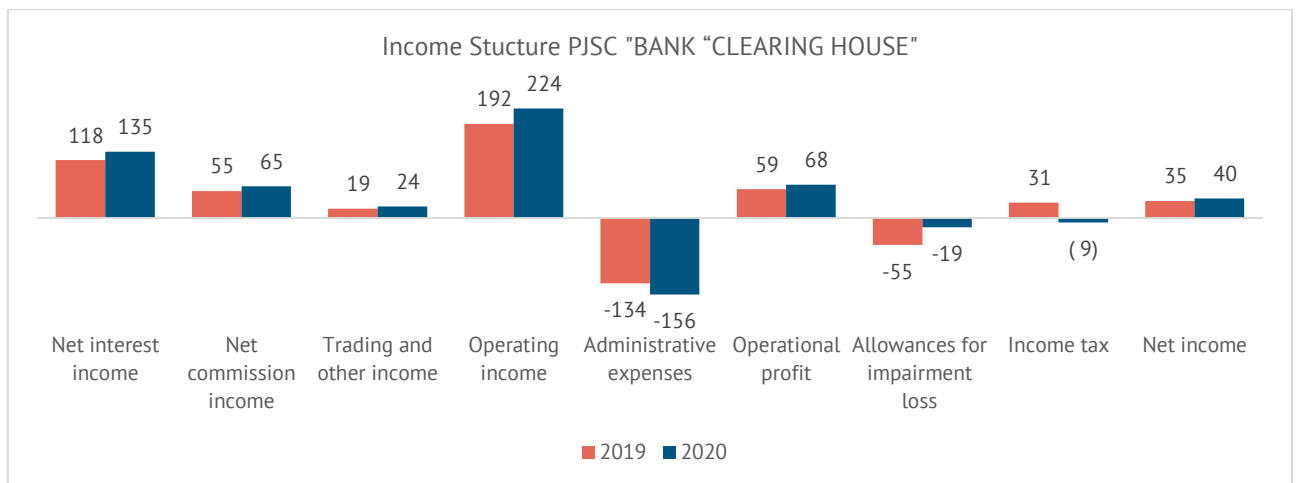
Increase of profitability

Public Joint-Stock company «Bank «CLEARING HOUSE» is profitable commercial bank, getting net financial result of **UAH 40.2 million**.

Operating income of the Bank in 2020 was **UAH 68,1 million**, including:

- Corporate – **UAH 39,7 million**;
- Individuals and SME – **UAH 28,1 million**:
 - Private Banking – **UAH 10,8 million**.
 - Bank at work – **UAH 17,3 million**);
- Centralized, treasury transactions and non-allocated items – **UAH 0,3 million**.

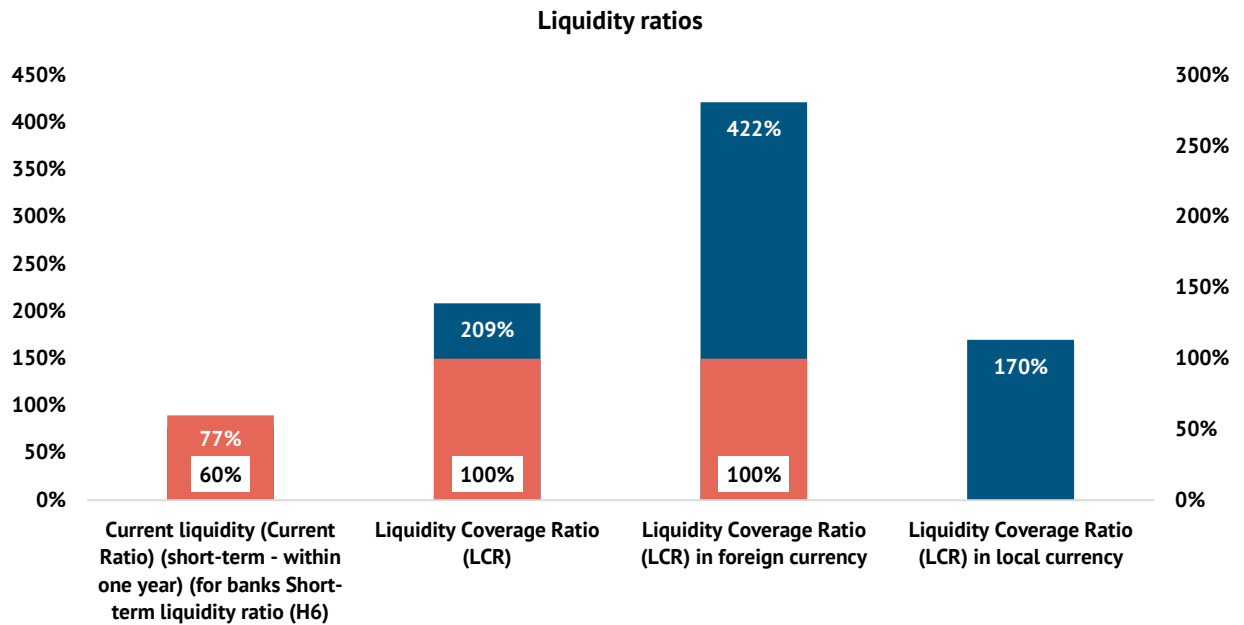
Effective performance of the Bank made it possible to improve its capital by creation of additional reserves for continuing growth and development in the process of implementation of EC directives and introduction of *Basel III* rules in Ukraine.



Indicators of liquidity confirm stability of Bank positions, being higher than NBU requirements.

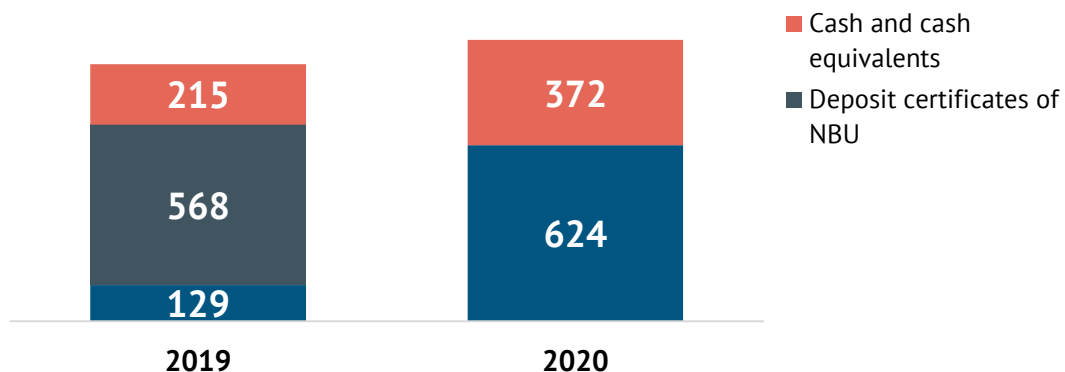
Indicators of liquidity confirm that the Bank has adequate funds to cover its liabilities towards its clients.

Indicators of liquidity are much higher than NBU requirements



Over **62,6%** of high liquid assets are Deposit certificates of NBU and government bonds, permitting the Bank both to have adequate level of liquidity to meet its liabilities towards the clients and generate additional income.

High-liquid Assets Structure



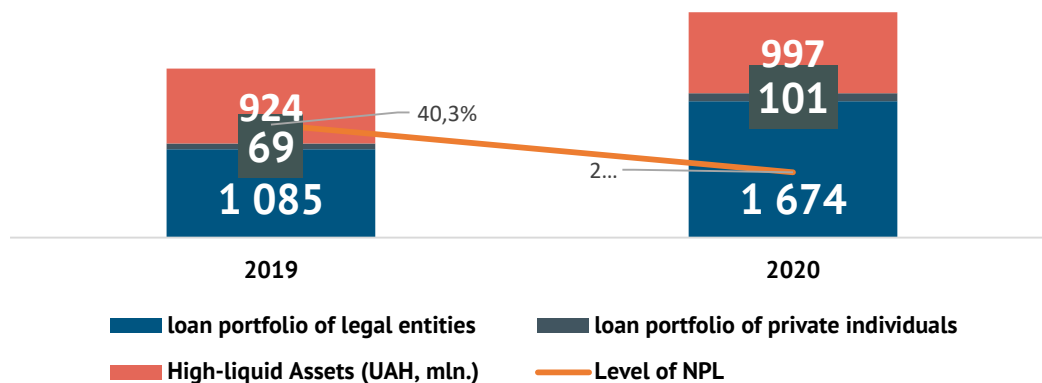
Loan portfolio management

As at the end of 2020, the Bank reached level of NPA in credit portfolio of **27.6%**, or **12.8 p.p.** lower than as at 01.01.2019 and **16.4 p.p.** better than average for Ukrainian banking system (as at the end of 2020, NPA share on loan portfolio of the banking system was **44%**).

Loan portfolio of new customers – legal entities – increased by **UAH 615,5 million**, while total number of borrowers went up more than **twice** in 2020.

In 2019, loan portfolio of private individuals increased by **UAH 31.3 mln.**, with the growth rate of portfolio of **45.1%**. Major input into growth of such loan portfolio was increase of consumers' loans. Still, total number of the borrowers with debts as at the end of 2020 is close to 1550 clients or 754 clients more than as at the beginning of the year.

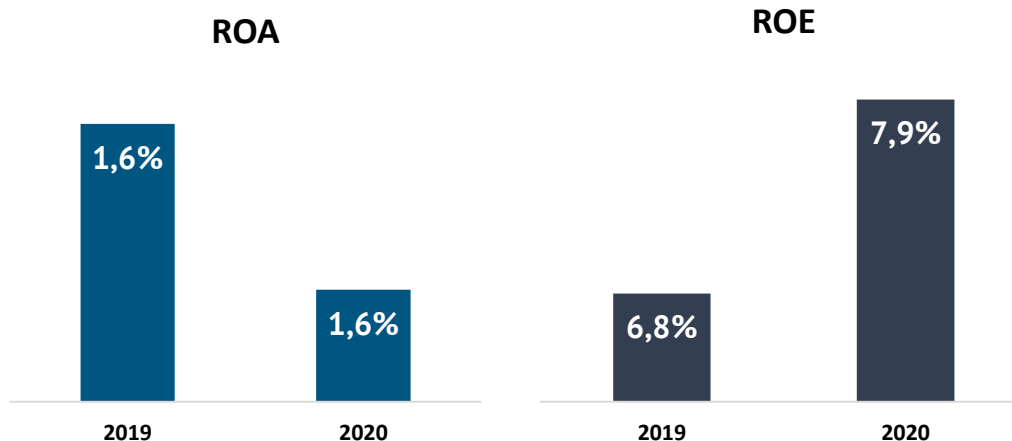
Loan Portfolio



Efficiency indices grew up:

- ROE – ratio of net income and bank capital
- ROA – ratio of net income and bank assets
- Cost to income – ratio of administrative expenses and operation income
- Net interest margin – ratio of net interest income and amount of interest-generating assets.

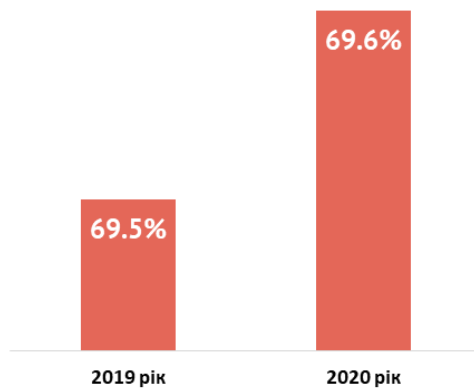
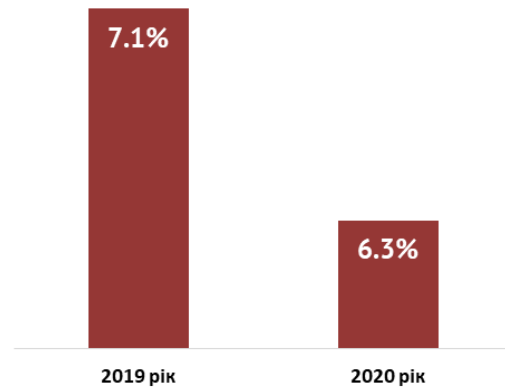
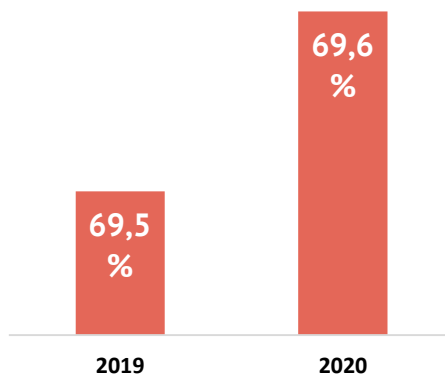
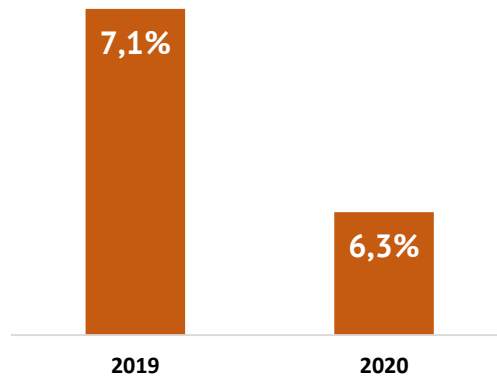
ROA and ROE reached **1,6%** and **7,9%** % respectively.



In 2020, Cost to income ratio of the Bank reached **69,6%** as at the end of the year.

Net interest margin reached **6.3%** by 2020 results.

Major drivers for growth of efficiency of work with interest bearing resources and assets were significant decrease of costs of attraction of funds, increased efficiency of work with high liquid funds and increase of interest income through providing loans to new corporate clients and individuals.

Cost to income ratio

Чиста процентна маржа (ІМ)

Cost to income ratio

Net Income Margin


Depository activities

Public Joint-Stock company «Bank «CLEARING HOUSE» has more than 20 years of positive experience of work as depository with well-established and experienced team of experts at national stock market.

Public Joint-Stock company «Bank «CLEARING HOUSE» as a depository is a client of National Depository of Ukraine, NBU Depository, member of Professional association of members of capital and derivatives market (PARD).

In 2020, the Bank served close to 149 thousand accounts of securities and 457 issues of securities of local issuers, including state ones. Total nominal value of securities, services by the depository, is UAH 7.2 billion. Besides, the Bank provides services on safekeeping of assets of joint investment institutions and assets of private pension funds.

Depository operates in accordance with the license of National committee of securities and stock exchanges to professionally operate at stock market – depository activities on safekeeping of assets of joint investment institutions and assets of private pension funds.

Advantages of the Bank as depository include: many years of experience, active position at stock market, personalized and qualified approach to every client, optimal tariffs for depository services and full range of depository services.

Operations and IT strategy

In 2020, departments of Centre of information technologies continue to operate along priority lines of IT strategy and modern IT challenges. Major aspects of IT strategies of the Bank include introduction of modern innovative technologies, automation of business processes, improvement of IT culture and transition to modern hard- and software.

Special attention was focused on project of replacement of major banking system (ABS), taking into account all requirements of users to channels of interaction with banking sector.

In order to improve its position in competitive environment and following the trends of banking services market in 2020, the Bank actively developed Mybank365 mobile payment systems. In 2020, the Bank introduced:

- Service of currency exchange transactions;
- Payment templates and regular payments;
- P2P transfers.

Introduction of ABC Scrooge and new mobile app MyBank365 improved interaction with the Bank, making it more comfortable and quicker, improving Bank's competitive position on the market and making it possible to add new services and optimize processing of bank products and their after-sale servicing in 2021.

Integral part of work of IT department is improvement of protection of IT systems, quality of which sets the level of safe and accessible services for clients and employees of the Bank.

8. Corporate

Corporate business of the Bank demonstrates stable development and high results for quite a few consecutive years, thus confirming efficiency of selected business model of this sector.

Major goals for 2020 were maintenance of existing clients' base and initiation of cooperation with new clients, whose business complies with Bank requirements to compliance with laws and regulations and risk profile.

Over **800** corporate clients use financial services and products of the Bank (number of clients increased by **32** entities or **4.5%**).

Number of transactions on settlements with counterparts by Bank clients in 2020 was close to **440 thousand**, covering close to **UAH 112 billion**.

Cooperation with partners and clients is based on the following values:

- Personalization;
- Exclusivity;
- Confidentiality;
- Integrity and transparency;
- Long-term relations;
- Openness and experience of personnel.

In 2020, the Bank focused its work in Corporate sector on improvement of personalized servicing of clients and improvement of credit products. E.g., in 2020, the Bank improved procedures of crediting and standardized procedures of issuance of bidding guarantees, including non-residents, introducing

new products in demand – Guarantees of UKRENERGO NJSC and Guarantees of GTS OPERATOR OF UKRAINE LLC.

The Bank has an exclusive expertise in servicing entities of fuel and power industry with the products adapted for their cooperation with banking sector of economy.

Total loan portfolio of main debts is close to **UAH 1450 million**. Loan portfolio of new clients in 2020 went up by more than **UAH 574 million**, while the number of borrowers increased by **47%**.

During the year, the Bank improved line of products for its clients, paying special attention to actualization of tariffs and products of resource-free active transactions.

Funds of the clients reached over **UAH 770 mln**.

Public Joint-Stock company «Bank «CLEARING HOUSE» offers maximal range of banking services, starting from different programs and products of financing of business development, efficient placement of temporarily free funds, servicing of corporate cards and salary projects, depository services and documentary transactions, to its corporate clients.

Operating income of corporate business in 2020 was more than **UAH 76 million**, including non-interest income close to **UAH 28 million**.

Operating income in 2020 reached close to **UAH 40 million**.

Major products and services

Cash flow management:

- Opening and servicing current accounts;
- Centre of financial control of a company and controlled entities;
- International payments;
- budgeting;
- corporate auto-client;
- collection of cash;
- servicing of corporate cards and salary projects.

Free cash-flow management:

- classic term deposit;
- short-term treasury deposits, up to 30 days;
- overnight placement of funds;
- special decisions.

Financing of business:

- financing of circulating capital;
- multipurpose credit line;
- crediting of agricultural entities;
- classic overdraft (for legal entities);
- overdraft with differentiated interest rates;
- trade financing and documentary transactions (including bank guarantees, import letters of credit, documentary collection, settlements under promissory notes).

Depository services:

- opening and servicing securities accounts;
- servicing of non-documentary securities circulation on stock and off-stock exchange markets, including compliance with principle 'delivery of securities against payment';
- safekeeping of securities;
- blocking (pledge with liabilities) of securities and crediting against pledge of securities;
- servicing of joint investing institutions and private pension funds.

- immobilization of securities.

9. Private Banking

Development of cooperation with wealthy clients is one of major drivers of business model of the Bank.

The Bank creates an atmosphere that helps to unite people and values of a wealthy client.

Year by year number of clients in Private banking sector increases, confirming strong position of the Bank as a player in this segment of banking services in Ukraine.

In 2020, more than **2 700** wealthy clients (increase by more than **740** clients, or **42%**) preferred to cooperate with offices of Public Joint-Stock company «Bank «CLEARING HOUSE».

Cooperation with partners and clients is based on such values, as:

- Personalization;
- Exclusivity;
- Confidentiality;
- Integrity and clarity;
- Long-term relations;
- Openness and expertise of personnel.

Relations are developed through separate aspects of lives of wealthy clients:

- Family and home
- Friends and partners
- Business
- Personal interests.

In 2020, the Bank focused on improvement of its competitiveness in Private Banking sector, based on its strong points – personalized services and flexibility.

The Bank closely monitors the development of services in Private banking both locally and internationally, introducing products, meeting the need of clients of this segment.

As a result, **operating income** of Private banking business in 2020 was close to **UAH 50 million**, including non-interest income of **UAH 25.7 mln**, while operating profit in 2020 reached close to **UAH 11 mln**.

Recognition of the efficient work of the Bank with Private banking clients is reflected in award for services to wealthy clients by national financial publication:

- **Number 8** in *PREMIUM BANKING* nomination by Financial Club financial analytic group.

Major products and services

Free funds management:

- Deposit with individual terms of the term, currency, accrual and payment of revenue, increase or partial draw of funds;
- Classic term deposits;
- Securities, etc.

Management of financial life:

- Servicing current financial needs (tariff plans based on premium VISA's cards)
- Centre of financial control of the family;
- Development of financial culture of kids;

- Agreement account for maximally safe purchase or sale of property;
- Concierge service 24/7;
- Rent of individual deposit safes;
- Collection, etc.

Other services:

- Center of financial control of family funds;
- Development of financial culture of kids and youngsters;
- *Appreciation* bonus program
- Concierge service 24/7;
- MPS premium services.

Financing:

- Credit cards with grace period;
- Crediting under cash deposits as collateral;
- Use of funds within credit limits;
- Overdraft.

10. Bank at work (individual clients/small and medium businesses)

The Bank pays adequate attention to development of relations with clients of mass-affluent/mass segment and clients of small and medium business (Bank at work) to reach maximal synergy effect of servicing key business lines.

The Bank develops its services and assists each client to reach their goals and overcome difficulties.

Values of cooperation with the clients of major business lines are the integral part of Bank's corporate culture, so the Bank offers high-quality and high-level services its clients in Bank at work segment.

In 2020, Bank products were used by more than **23 000** individuals and close to **800** clients (number of clients increased by **500**, or **25%**), representing small and medium businesses.

Relations with clients are implemented through the following attributes:

- Family and home.
- Friends.
- Realization of goals.
- Private interests.

In 2020, the Bank improved its position in servicing acting and new clients – natural persons. In 20120, the Bank reviewed he whole line of card packages for the clients of Bank at work sector and increased cooperation with partners regarding attraction of new clients.

Non-interest income from servicing of the clients in 2020 reached over UAH **31** million, or close to UAH **6** million more than in 2019.

In 2020, the Bank reached its goal to increase number of cashless transactions of the clients through use of pay cards and improve its position in financial life of the clients. Thus, the results of this line of business increased by **34%**.

As a result of increased activity of work with small and medium businesses, their number grew by **41%** reaching **UAH 2.2 million** during the year, while monthly non-interest income from servicing 1 active client increased by **31%** reaching UAH 560.

More than **800** SME customers used Bank services in 2020, making it possible to keep proper level of customers' funds' portfolio – **UAH 50,4 million..**

Portfolio of clients' funds reached close to UAH **400 million** during the year (**71%** growth rate during the year).

Operating income of Bank at Work business in 2020 was close to **UAH 52,5 million**, where non-interest income amounted to close to **UAH 31 million**.

2020 operating income in 2020 is over **UAH 17 million**.

As of middle 2019, the Bank started to offer consumer loans to individuals who are not employees of the entities with salary projects, not services by the Bank.

In 2020, the Bank developed partner networks and sales channels in points of sale, adjustment of internal processes (selection and training of personnel, interfacing of specialized software with major Bank system).

The Bank offers two major lines of consumer crediting:

- Purchase of goods in points of sale, where purpose of the loan is purchase of goods from the Bank's partner;
- Cash loans where purpose of the loan is improvement of quality of life of a borrower.

E.g., as at 01.01.2021 the Bank cooperates with more than 50 partners working in more than 100 points of sale under agent agreement and more than 350 point of sale as credit broker.

Besides, in 2021 the Bank plans to introduce the system of remote identification of customers and significantly increase remote services' functions, thus increasing the possibilities to attract more customers.

In 2020, the Bank used **over UAH 30 million** for customer loans of close to 1 000 individuals.

Major products and services

Management of free funds:

- Classic term deposit;
- Accumulation of funds with the possibility to add or draw funds;
- Treasury short-term (up to 30 days) deposit (for legal entities);
- Overnight placement of funds (for legal entities);
- Special decisions.

Management of financial life:

- Opening and servicing current accounts;
- Servicing salary cards;
- Cashless transfers and payments;
- Purchase and sale of foreign currency cash;
- Rent of individual deposit safes.

Management of cash flows (for legal entities):

- Opening and servicing current accounts;
- International payments;
- Collection of cash receipts;
- Servicing of corporate cards and payroll card projects.

Financing:

- Overdraft for salary card;
- Credit line with renewable limit;
- Credit card with grace period;
- Mortgage crediting for purchased of property on primary market;
- Consumer's credits;



- Financing of circulating capital (for legal entities);
- Classic overdraft (for legal entities);
- Overdrafts with differentiated interest rates (for legal entities).

11. Synergy

Synergy is a component of the business model of Public Joint-Stock company "JSB "CLEARING HOUSE"».

The Bank actively cooperates with Corporate segment clients to develop internal synergy, offering products for their owners, managers and employees.

E.g., total number of payroll projects in Corporate segment increased by **19** clients. In 2019, the Bank focused on increase of efficiency of servicing payroll projects, thus making it possible to increase income, generated by this product, by **9%**.

In general, in 2020, 231 companies entrusted the Bank to services their employees, which is more than **16 thousand** natural persons (increase by **2.5 thousand**).

In 2020, Treasury was traditionally active on Ukrainian interbank market, participating in operations in all segments: cash, currency, securities, etc.

The Bank is active player on interbank loan market, having a flawless reputation of reliable partner, making it possible to generate significant interest income through resource transactions on the market rather than just to support its liquidity.

Priority line of business for treasury is efficient management of free funds and achievement of optimal balance between liquidity, risk and profit.

Many years of experience and high work standards are the linchpin of successful management of liquidity and compliance with flawless payment discipline. One of the goals of treasury of the Bank is strict compliance with all necessary limits, liquidity standards, mandatory provision standards, set by the regulator.

Approved for issue and signed on 26.04.2021.

Chair of the Management Board

V. O. Andreevska

Chief Accountant

O. O. Markina



INDEPENDENT AUDITOR'S REPORT

To the:

**Shareholder and Supervisory Board of
Public Joint Stock company «Bank «CLEARING HOUSE»**

**National Bank of Ukraine
National Securities and Stock Market Commission**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Public Joint Stock company «Bank «CLEARING HOUSE» (the "Bank"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and comply with the preparation requirements established by Law of Ukraine "On accounting and financial statements in Ukraine".

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent to the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (hereinafter referred to as the IESBA Code) and ethical requirements applicable to our audit of financial statements in accordance with the Law of Ukraine "On Audit of Financial Statements and Audit Activities" and other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <i>Impairment of loans and advances to customers</i> | |
| <p>The recognition and measurement of expected credit losses ('ECL') is highly complex and involves the use of significant judgment and estimation, including in the formulation and incorporation of multiple forward-looking economic conditions into the ECL estimates to meet the measurement objectives of IFRS 9. Accordingly, this matter required significant attention from us during the audit.</p> <p>In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. The accuracy of the assumptions used in the models, including the macroeconomic scenarios, impacts the level of impairment provisions.</p> <p>Management exercises judgment in making estimations that require the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions.</p> <p>We identified the issue of impairment of loans and advances to customers as key audit matter due to the materiality of the loan balances, the high complexity and subjective nature of the ECL calculation.</p> <p>We refer to the financial statements note 3 for information on principal accounting policies, notes 6 and 7 for disclosures and detailed information on the methods and models used and the level of the impairment allowances for loans and advances to customers.</p> | <p>The controls management established to support their ECL calculations were tested during our audit procedures.</p> <p>We also assessed whether the impairment methodology used by the Bank is in line with IFRS 9 requirements. Particularly we assessed the approach of the Bank regarding application of Significant increase in credit risk ('SICR') criteria, definition of default, The Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') and incorporation of forward-looking information in the calculation of ECL.</p> <p>We have focused on assessing the Bank's assumptions and the expert adjustments applied in the model taking into account the empirical data and the existing credit and monitoring processes.</p> <p>For significant loans and advances assessed for impairment on an individual basis we applied our professional judgement for selection the sample taking into account different risk criteria:</p> <p>for selected loans and advances we checked the stage classification with assessing factors that affect the credit risk;</p> <p>for selected impaired loans and advances (Stage 3 and purchased) we tested the assumptions used in the ECL calculation, particularly expected scenarios and probabilities assigned to them and the timing and amount of expected cash flows, including cash flows from repayments and realisation of collaterals.</p> <p>For individually insignificant loans and advances which are assessed for impairment on a portfolio basis we performed such procedures as testing the reliability of key data inputs and related management controls, examination of key management's judgements and assumptions, including the macro-economic scenarios and the associated probability weights, analysing of impairment coverage of credit portfolio and its changes.</p> |
| <i>Fair value measurement of investment property and fixed assets (real property)</i> | |
| <p>The valuation of investment property and fixed assets is important for our audit, due to the materiality of such property and the subjective nature of the valuations.</p> <p>In line with IAS 40, Bank values its investment property at fair value and in line with IAS 16 Bank values its fixed assets (real property) at fair value.</p> | <p>We have performed procedures for assessing the risks of material misstatement in the Bank's accounting estimates based on our testing procedures. We examined whether the fair value of the relevant properties as at 31 December 2020 was consistent with the valuation reports of the independent appraisers.</p> |

| | |
|--|---|
| <p>The process of revaluation of the investment property and fixed assets is performed on a regular basis, in which each property is valued by an independent real estate valuation expert. At least annually the Bank performs an external evaluation of such assets.</p> <p>We refer to the financial statements note 3 for information on principal accounting policies. The valuation of the investment property is disclosed in note 9 and fixed assets in note 10.</p> | <p>We have performed procedures to determine the quality and objectivity of independent real estate valuation experts, the appropriateness of the parameters used and the correct recording of the revaluation.</p> |
|--|---|

Other information

Management is responsible for the other information. The other information comprises the information included in Issuer report with the Management report for 2020, but does not include the financial statements and our auditor's report thereon.

We obtained Management report prior to the date of this auditor's report. It is expected, that Bank's Issuer report, with exception of Management report, will be available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Bank's Issuer report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Supervisory Board.

Responsibilities of Management and the Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGISLATION AND REGULATORY REQUIREMENTS

Report on the requirements of the National Bank of Ukraine regarding the audit report on the audit of financial statements

According to requirements of article 69 of Law of Ukraine "On Banks and Banking" and paragraph 27 "Regulations about the order of providing by bank to National bank of Ukraine audit report for results of annual audit of financial statements", (approved by NBU Board Resolution No.90 of 02 August 2018) we are providing additional information (estimation), concerned annual financial statements of the Bank for the year ended 31 December 2020 about:

- correspondence (reliable disclosure) of distribution of bank's assets and liabilities by maturity buckets in the statistical data file A7X "Data structure of assets and liabilities by time buckets", prepared by the Bank for filing to National Bank of Ukraine as at January 1 of the year following the reporting one;
- compliance of the Bank with requirements determined by regulations of the National Bank on:
 - internal control;
 - internal audit;
 - measurement of credit risk on active banking operations;

- identification of bank's related parties and conducting operations with them;
- adequacy of banks' capital based on asset's quality;
- accounting.

Issues, described in this report, were considered only within conducting the audit of annual financial statements of the Bank for 2020 on the base of sample testing and in the amounts, required for planning and for providing of audit procedures according to the requirements of International Standards on Auditing.

This report is intended for shareholder, management of the Bank and for National Bank of Ukraine. When examining this report, as it was stated above, limited scope of procedures, related to operations of the Bank and organisation of accounting system and internal control, should be considered.

Besides it should be taken into account, that the criteria of estimation of issues, related to the operations of the Bank and organisation of accounting system and internal control, used by us, can differ from the criteria, used by National Bank of Ukraine.

Below we present information and appropriate estimations that were mentioned above.

In compliance with the requirements of paragraph 27 Regulations about filing of auditor's report by banks to National bank of Ukraine based on results of annual audit of financial statements, that concern assessment of correspondence (reliable disclosure) of distribution of bank's assets and liabilities by maturity buckets in the statistical data file A7X "Data structure of assets and liabilities by time buckets", prepared by the Bank for filing to National Bank of Ukraine as at January 1 of the year following the reporting one, which is not an integral part of annual financial statements, the following conclusions can be reached.

We have identified specific facts of inconsistency (unreliable disclosure) of data included in file A7X, to the relevant terms of the contracts and the circumstances of the operations, particularly:

- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 13,600 thousand should be "from 32 to 92 days" in accordance with the terms of the agreement, but not "On demand or overdraft", as indicated by the Bank in the file A7X;
- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 29,072 thousand should be "from 93 to 183 days" in accordance with the terms of the agreement, but not "On demand or overdraft", as indicated by the Bank in the file A7X;
- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 20,330 thousand should be "from 184 to 274 days" in accordance with the terms of the agreement, but not "On demand or overdraft", as indicated by the Bank in the file A7X;
- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 5,250 thousand should be "from 275 to 365 (366) days" in accordance with the terms of the agreement, but not "On demand or overdraft", as indicated by the Bank in the file A7X;
- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 12,170 thousand should be "from 366(367) to 2 years" in accordance with the terms of the agreement, but not "On demand or overdraft", as indicated by the Bank in the file A7X;
- maturity bucket for such types of liabilities as "term funds of legal entities" in the amount of UAH 200 thousand should be "from 366(367) to 2 years " in accordance with the terms of the agreement, but not "from 2 to 31 days", as indicated by the Bank in the file A7X;
- maturity bucket for such types of assets as "Receivables under transactions with other banks - Restricted cash" in the amount of UAH 56,137 should be attributed in accordance with the maturity bucket, taking into account the terms of the contract and the type of operations of the account, but not "On demand or overdraft", as indicated by the Bank in the file A7X.

With regard to compliance of the Bank with requirements determined by regulations of the National bank of Ukraine on:

- internal control

We identified some weaknesses in the internal control system described in this report, which may indicate that the Bank has failed to comply with regulatory requirements in identified areas. Based on the foregoing, the system of internal control requires attention from the Bank's management.

- internal audit

In our opinion, Banks' internal audit complies with regulatory requirements. At the same time, based on the tasks that are arranging to the Internal Audit Department, the scope of planned inspections, the support of the external audit engagements, and the tasks received from the Supervisory Board, available resources of IAD are insufficient.

- measurement of credit risk on active banking operations

We identified some facts of non-compliance with the requirements of the Regulation on the determination by banks of Ukraine of the amount of credit risk under active banking operations (approved by the Resolution of the Board of the National Bank of Ukraine of June 30, 2016, No. 351, as amended, hereinafter - Regulation 351). In particular, such findings are related to the Bank's failure to comply with the requirements of the criteria and principles of eligibility of collateral for credit operations for an individual borrower in order to reduce credit risk.

According to our estimates, the amount of credit risk on active banking operations, which is measured by the Bank in accordance with the requirements of regulations of the National Bank, should be adjusted by UAH 761 thousand toward increase.

- identification of Bank's related parties and conducting operations with them

During our audit we have not found infringements of legal requirements that are prescribed for related party transactions and identification process.

- adequacy of Banks' capital based on asset's quality

As at December 31, 2020 (end of the day), regulatory capital of the Bank, is calculated in accordance with requirements of Instruction about the order of regulation of banks activity in Ukraine, (approved by NBU Board Resolution No 368 of 28 August 2001 No.368), calculated on the base of daily balance, is UAH 537 058 thousand.

According to the results of the audit, amount of the regulatory capital of the Bank, which takes into account the amount of credit risk related to the reporting period, should have been changed for the amount which is related to adjusting the amount of uncovered credit risk.

The amount of capital as at the end of the reporting period is sufficient to perform operations that are specified in the banking license; the absolute amount of the capital corresponds to legal requirements for its size.

- accounting

Nothing has come to our attention that causes us to believe that the accounting of the Bank does not satisfy legal requirements of National bank of Ukraine.

Report on Corporate governance report

We have examined information in Corporate governance report of the Bank, which is an integral part of the Management Report (hereinafter - Corporate governance report).

Management Board of the Bank is responsible for Corporate governance report and its preparation in accordance with p. 3 of art. 40¹ of Law of Ukraine *On Securities and Stock Market* and art. 12² of Law of Ukraine *On Financial Services and State Regulation of Financial Services' Markets*.

Our examination of the Corporate governance report was based on the review whether the information in the report is consistent with the financial statements, whether the Corporate governance report has been prepared in accordance with the requirements of current legislation. Our examination of the Management report is different and substantially less in scope than an audit conducted in accordance

with International Standards on Auditing. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

Corporate governance report has been prepared and presented information is disclosed in accordance with requirements of p. 3 of art. 40¹ of Law of Ukraine *On Securities and Stock Market* and art. 12² of Law of Ukraine *On Financial Services and State Regulation of Financial Services' Markets*.

Description of the main features of the Bank's internal control and risk management systems in relation to the financial reporting process; list of holders, who directly or indirectly holding significant portion of shares of the Bank; information on any limitations of shareholder' rights and voting rights of shareholder at the general shareholders meeting of the Bank; rules governing the appointment and replacement of the Bank's officials, as well as authorities of the Bank's officials, disclosed in Corporate governance report, do not contradict to information, that has been obtained during our audit of financial statements and comply with the Law of Ukraine *On Securities and Stock Market*.

Report on other legal and regulatory requirements of National Commission on Securities and Stock Market

(This section of the auditor's report is included in accordance with Requirements for audit report to be filed to National commission on securities and stock market for issuance of the license on professional activities in the stock market, approved by Decision of National Commission on securities and stock market N 160 of 12.02.2013 (hereinafter – the Commission) and in accordance with the requirements Terms of licensing of professional activities on stock market (securities market) – trading in securities, approved by Decision of National commission on securities and stock market N 819 of 14.05.2013) and with the requirements Terms of licensing of professional activities on stock market (securities market) – depository and clearing activities, approved by Decision of National commission on securities and stock market N 862 of 21.05.2013).

Below is the list of matters and conclusions, reached by the auditor, regarding:

- compliance of equity, as disclosed in the financial statements of the Bank, with the requirements, set by rules and regulations of the Commission:

equity, as disclosed in the financial statements of the Bank, complies with the requirements, set by rules and regulations of the Commission;

- compliance of share capital with the constituent documents (description of measurement, including type of documents)

Registered stated capital in accordance with Statement of financial position of the Bank as at December 31, 2020, is UAH 510 393 thousand (510 392 935,00 UAH), thus complying with constituent documents. Stated capital was inputted by monetary funds.

- Forming and payment of share capital (paid in full or in part, documents (including name, date and ref. number), on which auditor's conclusion is reached):

According to the information specified in the letter from the National Bank of Ukraine (ref. No. 27-0008 / 20575 dated 15.04.2019), the size of the registered and actually paid share capital of the Bank is UAH 510 392 935,00. Share capital paid in full.

- Absence of overdue liabilities regarding payment of taxes (existence/absence of tax debt) and dues, unpaid penalties for violation of legislation on financial services, including services on securities market.

We did not identify any overdue liabilities regarding payment of taxes and dues, unpaid penalties for violation of legislation on financial services, including services on securities market.

- Information on directions of funds' utilisation, that have been paid-in to form share capital of the Bank, which, in accordance with its Charter, intends to be engaged in professional activities on securities market as of the date of establishment or as of the date of introduction of changes into Charter regarding major types of businesses:

Funds, paid-in to form share capital of the Bank, are has been used for banking activities.

- Information on related parties of the Bank, identified by the auditor while performing audit procedures for the financial statements:

Information on related parties of the Bank, identified by the auditor while performing audit procedures for the financial statements, is disclosed by the Bank in Note 31 "Related party transactions" to the financial statements.

- Information on existence and scope of contingent assets and/or liabilities, which probability of recognising in the balance sheet is reasonably high:

Contingent assets and/or liabilities, probability to recognise which in the balance sheet is reasonably high, are disclosed by the Bank in Note 28 "Contingent liabilities of the Bank" to the financial statements.

- Information on the events after the balance sheet date, which are not disclosed in the financial statements, but may have material effect on the financial position of the Bank:

We did not identify any information on the events after the balance sheet date, which are not disclosed in the financial statements, but may have material effect on the financial position of the Bank.

- other financial information in accordance with the regulatory requirements:

We did not identify any information that should have been included in the Bank's financial statements or in our audit report on them other than that contained in those reports.

Other elements

Basic information on the audit firm:

a) full name of legal entity in accordance with constituent documents:

- PKF UKRAINE LIMITED LIABILITY COMPANY (ID code of legal entity 34619277)

b) number and date of issuance of Certificate on inclusion in the Register of audit firms and auditors, issued by Chamber of Auditors of Ukraine (hereinafter CAU):

- The audit firm is registered in *Auditing Entities, Having the Right to Perform Statutory Audits of Financial Statements of Public-Interest Entities* section of Register of auditors and Auditing Entities. Registration number 3886.

c) number, series, date of issuance of Certificate of registration on the Register of audit firms, having the right to perform audits of professional participants of securities market, issued by National commission on securities and stock market: Keeping of Register was annulled by Decision of National commission on securities and stock market № 845 of 04.12.2018.

d) full name of the auditors, participating in the engagement; number, series, date of issuance of the auditor's certificate by CAU:

- Sviatoslav Biloblovskiy; banks' auditor certificate № 0072 of 29.10.2009; registration number in the register of auditors and Auditing Entities 100190;
- Dmitry Novikov; banks' auditor certificate № 0084 of 29.10.2009; registration number in the register of auditors and Auditing Entities 100159.

e) address of the legal entity and factual place of business:

- 4th floor, 52 letter B, B. Khmel'nitskogo str., Kyiv, Ukraine

Basic information on terms of the audit agreement:

a) date and number of the audit agreement:

- Agreement № 41 from 26.09.2018 and additional agreement #4 from 10.11.2020.

b) beginning and closing date of the audit:

- Date of beginning: 18.11 2020
- Date of closing: 27.04 2021

Additional information in accordance with the Law of Ukraine On Audit of Financial Statements

We have been appointed for audit of the annual financial statements of the Bank by resolution of the Supervisory Board dated 21 September 2018. The total duration of our audit engagements with the Bank is 5 years, including the reporting year.

During our audit of the financial statements, resulting in issuance of this Independent auditor's report, we performed audit procedures regarding assessment of risk of material misstatement of information in the financial statements, being audited, in particular, due to fraud.

Significant risks that required our attention but did not modify our opinion are disclosed in *Key Audit Matters* section of our report.

According to the results of our audit, all identified misstatements were discussed with the Bank's management, those of them that required corrections in the financial statements were corrected. The misstatements we found are not related to fraud risks.

Our report is agreed to additional report for Audit Committee of Supervisory Board of the Bank.

We did not provide any services to the Bank, prohibited by the law.

PKF UKRAINE LLC audit firm and the engagement partner on the audit (key audit partner) of the financial statements of the Bank as at December 31, 2020, Sviatoslav Biloblovskiy are independent from the Bank.

We and other members of PKF International network, as well as other entities controlled by our firm, did not provide any other, then statutory audit, services, information on which is not disclosed in management report and/or financial statements.

Purpose of our audit is to increase degree of confidence of intended users to the financial statements of the Bank. It is achieved by expressing our opinion whether the financial statements are prepared in all material aspects in accordance with International Financial Reporting Standards (IFRSs). We conducted our audit in accordance with ISAs and respective ethic requirements; it gives us the possibility to formulate our opinion. Inherent limitations of an audit result in most audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive, so, audit is not an absolute guarantee that the financial statements are free of misstatements, and our audit does not guarantee future sustainability of the Bank, efficiency or effectiveness of Bank management.

The engagement partner on the audit (key audit partner) resulting in this independent auditor's report is Sviatoslav Biloblovskiy.

Engagement partner on the audit

(Registration Number in the Register of Auditors and Auditing Entities 100190)

S.V. Biloblovskiy

On behalf of PKF UKRAINE LLC Director

I.O. Kashtanova

Kyiv, Ukraine

27 April 2021

